

# *Town of Lebanon, Connecticut*

State & Federal Compliance Audit

June 30, 2008

*Stephen T. Hopkins, CPA, PC*

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Auditing , Accounting , and Consulting Services

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**Town of Lebanon, Connecticut**

June 30, 2008

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# Stephen T. Hopkins, CPA, PC

## Auditing , Accounting , and Consulting Services

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### Independent Auditors' Report

Board of Selectmen  
Town of Lebanon , Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management accounts for teachers summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund and , accordingly have not recorded a liability and corresponding expense for these items as of and for the year ended June 30, 2008. Accounting principles generally accepted in the United States of America require the modified accrual basis of accounting to be followed in the preparation of the financial statements. The proper recording of these amounts would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$970,149 and the total expenses of the general fund would have decreased by approximately \$87,427.

In our opinion, except for the effects of accounting for teachers summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town of Lebanon, Connecticut, as of June 30, 2008, and the respective changes in financial information and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the town construction projects fund, the capital and non-recurring fund, and the investment trust fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Town of Lebanon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures consisting principally of management inquiries regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The combining, individual fund financial statements, and other supplementary information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Lebanon, Connecticut. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

December 12, 2008

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

**Financial Highlights - Government-wide financial statements**

- The Town's total assets exceeded its total liabilities by \$38,194,711 (net assets) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$35,722,051. This represents a favorable increase of approximately 6.92% which compares to a favorable increase of 5.56% in the prior fiscal year.
- The Town's invested in capital assets, net of related debt net asset balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total invested in capital assets, net of related debt net asset balance of the Town was \$28,906,441 (75.68% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$26,567,790 (74.37% of total net assets). This represents an increase of approximately 8.80% which compares to an increase of approximately 15.90% in the prior fiscal year. This current fiscal year increase is the result of a decrease in the related debt of \$1,105,048, current depreciation in the amount of \$1,012,680 and current capital asset additions in the amount of \$3,552,908.
- The Town's restricted net assets are used to account for funds received with constraints imposed by grantors and contributors. These net assets *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net asset balance of the Town was \$3,522,406 (9.22% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,517,350 (12.64% of total net assets). This represents a decrease of approximately 22.02%. This decrease is due in part to the use of \$250,000 in previously restricted donations for the senior center project, a decrease in long-term accounts receivable of \$457,183 and current year decrease in the fair value of restricted investments of \$250,710.
- The Town's unrestricted net asset balance is the component of net assets which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net asset balance of the Town was \$5,765,864 (15.10% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,636,911 (12.99% of total net assets). This represents a favorable increase of approximately 24.35%.
- The Town's total revenues for its governmental activities were \$31,663,420 for the current fiscal. This compares to the prior fiscal year balance of \$23,903,267. This represents an increase of approximately 32.46% or \$7,760,153. This is due in large part to the increase of state on-behalf payments to the teachers retirement system in the amount of \$5,059,527. The State increased its funding percentage in the current fiscal year to 74.00% from 12.65% in the prior fiscal year.
- The cost of the Town's governmental activities was \$29,190,760 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$11,470,462 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$2,630,840, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$15,089,458. This amounts to approximately 39.29% of the cost of these governmental activities actually being financed by general revenues of the Town. This compares to approximately 53.79% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants were received by department for the current fiscal year is shown on Statement B on page 11.
- The Board of Education and the related programs of the Town received approximately \$1,676,850 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from school renovations, the school lunch program, to improving basic programs, to enhancing education through technology. This compares to approximately \$1,066,790 in the prior fiscal year. This increase is in part due to current year revenue for the school renovations projects in the amount of \$641,682 which compares to no revenue being received for these renovations during the prior fiscal year. The revenues being referred to in this item exclude those revenues received from the State for education which are budgeted and allocated directly to the budget such as education cost sharing, transportation revenue and construction principle and interest payments.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

**Using this annual report**

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net assets and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance Sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

**Reporting the Town as a whole**

Our analysis of the Town as a whole begins on page 10 with the Statement of net assets. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net assets includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net assets and the changes in these net assets. You can think of these net assets as one way to measure the financial health and financial position of the Town. The net asset balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

**Reporting the Town's most significant funds**

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended in the town bridge projects fund). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

**The Town as a trustee**

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds which are characterized as follows:

- Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments.

**The Town as a whole - Assets, liabilities, and net assets**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains a high current ratio. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 3.21 to 1 compared to the end of the prior fiscal year when the current ratio was 2.46 to 1. This ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$4,878,818. This compares to the prior fiscal year positive balance of \$3,585,771. This represents a favorable increase of approximately 36.06%. This favorable increase is due mostly to the net results of the town construction projects fund whose revenues exceeded its expenditures during the current fiscal year. The net result within this fund was a favorable increase of \$1,391,855.

	Governmental Activities		Percentage of Total	
	2008	2007	2008	2007
Current assets	\$ 7,082,536	\$ 6,028,471	15.13%	13.21%
Other assets	3,576,536	4,695,087	7.64%	10.29%
Capital assets	36,155,305	34,913,652	77.23%	76.50%
	<u>\$ 46,814,377</u>	<u>\$ 45,637,210</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 2,203,718	\$ 2,442,700	24.71%	24.64%
Long-term liabilities outstanding	6,415,948	7,472,459	75.29%	75.36%
	<u>\$ 8,619,666</u>	<u>\$ 9,915,159</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 28,906,441	\$ 26,567,790	75.68%	74.37%
Restricted	3,522,406	4,517,350	9.22%	12.64%
Unrestricted	5,765,864	4,636,911	15.10%	12.99%
	<u>\$ 38,194,711</u>	<u>\$ 35,722,051</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Long-term accounts receivable	\$ 824,523	\$ 1,281,706		
Encumbrances (note 1 O)	8,142	50,201		
Restricted donations	298,989	549,322		
Community development projects (note 9)	354,172	347,143		
Restricted investments (note 1Q (f))	1,722,837	1,975,350		
Principal balance of permanent funds	313,743	313,628		
	<u>\$ 3,522,406</u>	<u>\$ 4,517,350</u>		

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

**The Town as a whole - Revenues, expenses, and changes in net assets**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental Activities		Percentage of Total	
	2008	2007	2008	2007
Program revenues				
Charges for services	\$ 2,630,840	\$ 2,572,941	8.31%	10.90%
Operating grants	13,319,405	7,175,758	42.07%	29.10%
Capital grants	1,770,053	427,179	5.59%	1.81%
General revenues				
Property taxes, interest, and liens	13,438,113	12,498,259	42.44%	52.97%
State property tax relief revenues	123,453	108,650	0.39%	0.46%
Other unclassified state revenues	-	127,497	-	0.54%
Net change in the fair value of investments	-250,710	355,326	-0.46%	1.51%
Interest and dividends	188,983	219,324	0.60%	0.93%
Miscellaneous	443,283	418,333	1.06%	1.78%
Total revenues	<u>31,663,420</u>	<u>23,903,267</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	969,467	724,913	3.32%	3.34%
Public safety	650,955	701,008	2.23%	3.23%
Public works	1,129,194	1,123,259	3.87%	5.17%
Health, recreation, and social services	603,158	590,317	2.10%	2.72%
Community preservation	160,891	139,027	0.55%	0.64%
Education	18,310,837	16,134,906	62.73%	72.89%
Education - on behalf	6,052,936	993,409	20.74%	4.58%
Unclassified and program	611,117	925,511	2.09%	4.26%
Capital outlay	-	-52,930	-	-0.25%
Depreciation	367,461	358,656	1.26%	1.65%
Debt service:				
Interest	334,744	383,388	1.11%	1.77%
Total expenses	<u>29,190,760</u>	<u>22,021,464</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net assets	2,472,660	1,881,803		
Net assets - July 1	<u>35,722,051</u>	<u>33,840,248</u>		
Net assets - June 30	<u>\$ 38,194,711</u>	<u>\$ 35,722,051</u>		
Expenses financed by general revenues:				
Total expenses	\$ 29,190,760	\$ 22,021,464		
Less charges for services	-2,630,840	-2,572,941		
Less operating grants and contributions	-13,319,405	-7,175,758		
Less capital grants and contributions	-1,770,053	-427,179		
	<u>\$ 11,470,462</u>	<u>\$ 11,845,586</u>	<u>39.29%</u>	<u>53.79%</u>



**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

**Capital assets**

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets of the Town are required to be reported in accordance with GAAP. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 23 and note 5 on page 28.

	Governmental Activities		Percentage of total	
	2008	2007	2008	2007
Land and improvements	\$ 1,896,289	\$ 1,896,289	2.99%	3.12%
Buildings and improvements	33,425,262	17,786,283	52.74%	29.30%
Vehicles	3,275,077	3,144,966	5.17%	5.18%
Equipment	619,303	619,303	0.98%	1.02%
Infrastructure	22,273,079	21,603,726	35.15%	35.59%
Construction in progress	1,884,521	15,649,713	2.97%	25.79%
Total historical cost	63,373,531	60,700,280	100.00%	100.00%
Less accumulated depreciation	-27,218,226	-25,786,628		
Total capital assets (net)	<u>\$ 36,155,305</u>	<u>\$ 34,913,652</u>		

**Debt administration**

The debt of the town includes long-term bonds, notes, and capital leases payable in addition to accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds, notes, and capital leases payable decreased by approximately 1.18% as a result of the variations between payment schedules. The portion due after one year decreased by approximately 14.95% as a result of the annual payments made on the individual bonds, notes, and capital leases. More detailed information on the debt of the Town can be found in note 6 starting on page 29.

	Governmental Activities		Percentage of total	
	2008	2007	2008	2007
Bonds, notes, capital leases payable:				
Portion due within one year	\$ 1,084,056	\$ 1,096,998	14.45%	12.80%
Portion due after one year	6,164,808	7,248,864	82.20%	84.59%
Accrued compensated absences (school)	64,729	37,384	0.86%	0.44%
Accrued compensated absences (town)	51,580	41,180	0.69%	0.48%
Accrued landfill post-closure costs	134,831	145,031	1.80%	1.69%
Total debt	<u>\$ 7,500,004</u>	<u>\$ 8,569,457</u>	<u>100.00%</u>	<u>100.00%</u>

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance Sheet on page 12 and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 14.

**Financial highlights - Fund financial statements**

- The total assets of the Town's governmental funds exceeded the total liabilities by \$7,896,804 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$7,459,770, a favorable increase of approximately 5.86% or \$437,034. This favorable increase is due mostly to the net results of the town's major funds. The town construction projects fund increased by \$1,391,855 while the capital non-recurring fund decreased by -\$546,426 and the investments trust funds decreased by -\$251,973. These increases and decreases can more fully be seen by reviewing Statement D on page 14 and the corresponding combining schedules and sub-schedules as found in the table of contents.
- The total revenues of the Town's governmental funds were \$31,938,900 for the current fiscal year in comparison to \$24,592,564 in the prior fiscal year. This represents an increase of approximately 29.87% or \$7,346,336. This is due in large part to the increase of state on-behalf payments to the teachers retirement system in the amount of \$5,059,527. The State increased its funding percentage in the current fiscal year to 74.00% from 12.65% in the prior fiscal year.
- The total expenditures of the Town's governmental funds were \$31,501,866 for the current fiscal year in comparison to \$25,666,211 in the prior fiscal year. This represents an increase of approximately 22.73% or \$5,835,655. This increase is made up of a number of increases and decreases within the funds of the Town. As mentioned above for revenues, on-behalf payments to the teachers retirement expenditures increased by \$5,059,527. In addition, expenditures within the town construction projects major fund decreased by -\$758,572. The expenditures of the operational departments of the Town remained relatively consistent with some fluctuations in general government due to increased snow removal costs and the asbestos removal project at town hall.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's governmental funds was a positive \$437,034 for the current fiscal year in comparison to a negative -\$1,073,647 in the prior fiscal year. This represents a favorable increase. As described in item one above, this increase was due in large part to the net activities of the Town's three major funds.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's general fund was \$120,116 for the current fiscal year in comparison to \$411,650 for the prior fiscal year. This represents an unfavorable decrease of approximately 70.82% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$381,125 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$299,094 higher for the prior fiscal year which was also a favorable variance. During the current fiscal year the actual school tuition revenue received was \$300,374 higher than the budgeted amount in comparison to \$272,973 higher for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing exceeded the budgeted amount by \$78,316 and the actual revenue amounts received from the State for vocational agriculture exceeded the budgeted amount by \$47,794.
- The actual program expenditures in the Town's general fund were \$208,283 lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$260,482 lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance. This under expenditure can be attributed in large part to the board of education (\$105,025 under budget), the medical life insurance account (\$38,613 under budget), the public works department (\$17,785 under budget) and the town clerk department (\$14,718 under budget).
- In the current fiscal year the Town budgeted to utilize \$400,000 of its general un-designated fund balance to offset the current year expenditure for a portion of the Town's share of the new senior center. In addition, the inhabitants of the Town approved an additional \$47,427 of its general un-designated fund balance to offset current year over expenditures within certain budget lines and departments. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year the Town budgeted to utilize \$150,000 of its general un-designated fund balance in this manner.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2008

**Economic factors and next year's budgets and rates**

The Town believes it has steadily maintained a sufficient unrestricted net asset and un-designated fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. In addition, the Town is in the process of completing a revaluation of assessed values of property located within the Town. This revaluation is expected to reduce the effective mil rate, however, the amount of the cost of the total governmental activities financed by taxpayers is expected to be comparable to prior fiscal years.

**Contacting the Town's financial management**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

**Town of Lebanon, Connecticut**  
Statement of net assets  
June 30, 2008

<b>Assets</b>	<b>Governmental activities</b>
Current assets:	
Cash	\$ 3,816,051
Investments (note 1E)	329,430
Accounts receivable (note 1F)	2,465,760
Current portion of long-term accounts receivable	451,518
Tax acquired property (note 1G)	6,428
Inventories (note 1I)	13,349
Prepaid items (note 1K)	-
Total current assets	<u>7,082,536</u>
Capital assets (note 1L and note 5)	
Land	1,896,289
Building and improvements	33,425,262
Vehicles	3,275,077
Equipment	619,303
Infrastructure	22,273,079
Construction in progress	1,884,521
	<u>63,373,531</u>
Less accumulated depreciation	<u>-27,218,226</u>
Total capital assets	<u>36,155,305</u>
Other assets	
Restricted cash (note 3)	675,042
Restricted investments (note 3)	1,722,837
Long-term accounts receivable	824,523
Notes receivable (note 9)	354,134
Total other assets	<u>3,576,536</u>
Total Assets	<u><u>\$ 46,814,377</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 623,083
Accrued payroll	30,338
Other liabilities	87,069
Deferred revenues (note 1M)	379,172
Long-term debt (note 6)	
Portion due within one year	1,084,056
Portion due after one year	6,164,808
Accrued compensated absences (note 6A)	116,309
Accrued landfill post closure care cost (note 6B)	134,831
Total liabilities	<u>8,619,666</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt (note 8)	28,906,441
Restricted	3,522,406
Unrestricted	5,765,864
Total net assets	<u>38,194,711</u>
Total liabilities and net assets	<u><u>\$ 46,814,377</u></u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of activities  
For the year ended June 30, 2008

		Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
<b>Primary government:</b>	Expenses				
<b>Governmental activities:</b>					
General government	\$ -969,467	\$ 124,525	\$ -	\$ -	\$ -844,942
Public safety	-650,955	201,181	970	-	-448,804
Public works	-1,129,194	123,591	152,788	-	-852,815
Health, recreation, and social	-603,158	9,012	23,280	-	-570,866
Community preservation	-160,891	20,670	53,806	-	-86,415
Education	-18,310,837	2,147,661	6,772,093	-	-9,391,083
Education - on behalf	-6,052,936	-	6,052,936	-	-
Unclassified and program	-611,117	4,200	263,532	-	-343,385
Capital outlay	-	-	-	1,770,053	1,770,053
Depreciation					
General infrastructure	-367,461	-	-	-	-367,461
Debt service					
Interest	-334,744	-	-	-	-334,744
	<u>\$ -29,190,760</u>	<u>\$ 2,630,840</u>	<u>\$ 13,319,405</u>	<u>\$ 1,770,053</u>	<u>-11,470,462</u>

**General revenues:**

Property tax revenues, interest, and liens	13,438,113
State property tax relief revenues	123,453
Other unclassified state revenues	-
Net change in fair value of investments	-250,710
Interest and dividends	188,983
Miscellaneous	443,283
Total general revenues	<u>13,943,122</u>
Change in net assets	2,472,660
Net assets - July 1	<u>35,722,051</u>
Net assets - June 30	<u>\$ 38,194,711</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Balance sheet - Governmental funds  
June 30, 2008

<b>Assets</b>	<b>General fund</b>	<b>Town construction projects</b>	<b>Capital &amp; nonrecurring fund</b>	<b>Investment trust funds</b>	<b>Non-major governmental funds</b>	<b>Total government funds</b>
Cash	\$ 2,643,749	\$ -	\$ 482,041	\$ -	\$ 1,365,303	\$ 4,491,093
Investments	329,430	-	-	1,713,992	8,845	2,052,267
Receivables (net of allowance)						
Property taxes	506,203	-	-	-	28,755	534,958
Intergovernmental	-	88,181	-	-	67,462	155,643
Other	1,464,858	300,000	-	-	10,301	1,775,159
Notes receivable	-	-	-	-	354,134	354,134
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	13,349	13,349
Prepaid items	-	-	-	-	-	-
Due from other funds	1,654,066	813,796	327,457	-	646,177	3,441,496
<b>Total assets</b>	<b>\$ 6,604,734</b>	<b>\$ 1,201,977</b>	<b>\$ 809,498</b>	<b>\$ 1,713,992</b>	<b>\$ 2,494,326</b>	<b>\$ 12,824,527</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 358,518	\$ 209,300	\$ 20,063	\$ -	\$ 35,202	\$ 623,083
Accrued payroll	30,338	-	-	-	-	30,338
Other liabilities	79,625	-	-	-	7,444	87,069
Deferred property tax revenues	427,338	-	-	-	28,755	456,093
Deferred other revenues	289,644	-	-	-	-	289,644
Due to other funds	1,786,812	1,226,748	-	-	427,936	3,441,496
<b>Total liabilities</b>	<b>2,972,275</b>	<b>1,436,048</b>	<b>20,063</b>	<b>-</b>	<b>499,337</b>	<b>4,927,723</b>
<b>Fund balances:</b>						
Reserved for:						
Revolving loan fund	-	-	-	-	354,172	354,172
Prepaid items	-	-	-	-	-	-
Inventories	-	-	-	-	5,905	5,905
Encumbrances	-	-	-	-	8,142	8,142
Unreserved:						
Reported in general fund	3,632,459	-	-	-	-	3,632,459
Reported in special revenues	-	-	-	-	1,626,770	1,626,770
Reported in capital projects	-	-234,071	789,435	-	-	555,364
Reported in permanent funds	-	-	-	1,713,992	-	1,713,992
<b>Total fund balances</b>	<b>3,632,459</b>	<b>-234,071</b>	<b>789,435</b>	<b>1,713,992</b>	<b>1,994,989</b>	<b>7,896,804</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,604,734</b>	<b>\$ 1,201,977</b>	<b>\$ 809,498</b>	<b>\$ 1,713,992</b>	<b>\$ 2,494,326</b>	<b>\$ 12,824,527</b>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Reconciliation of Statement A to Statement C  
for all governmental funds and activities  
June 30, 2008

Fund balances of governmental funds as shown on Statement C \$ 7,896,804

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

1	Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:		
	Cost	63,373,531	
	Less accumulated depreciation	<u>-27,218,226</u>	36,155,305
2	The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:		427,338
3	Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting, however the government-wide financial statements do not record revenues until they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-60,773
4	Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
	Inter fund receivables	3,441,496	
	Inter fund payables	<u>-3,441,496</u>	-
5	Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:		
	Bonds, notes, and capital leases payable	-7,248,864	
	Accrued compensated balances	-116,309	
	Estimated liability for post closure landfill care	<u>-134,831</u>	-7,500,004
6	Amounts expected to be received by the Town from the State for there share of certain long-term liability payments are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A in whole due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		1,143,496
7	Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		<u>132,545</u>

Net assets of governmental activities as shown on Statement A \$ 38,194,711

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of revenues, expenditures, and changes in fund balances - Governmental funds  
For the year ended June 30, 2008

	General fund	Town construction projects	Capital & nonrecurring fund	Investment trust funds	Non-major governmental funds	Total governmental funds
<b>Revenues</b>						
Property taxes, interest, and liens	\$ 13,371,837	\$ -	\$ -	\$ -	\$ 9,669	\$ 13,381,506
Intergovernmental - education	6,067,395	-	-	-	1,035,168	7,102,563
Intergovernmental - on behalf	6,052,936	-	-	-	-	6,052,936
Intergovernmental - tax relief	123,453	-	-	-	-	123,453
Intergovernmental - other	182,818	1,733,863	-	-	349,573	2,266,254
Tuition	1,778,384	-	-	-	-	1,778,384
Charges for services	315,857	-	-	-	536,599	852,456
Net change in investment fair value	-	-	-	-250,170	-540	-250,710
Interest and dividends	96,672	-	9,627	59,413	23,271	188,983
Miscellaneous	65,156	1,750	11,664	-	364,505	443,075
Total revenues	28,054,508	1,735,613	21,291	-190,757	2,318,245	31,938,900
<b>Expenditures</b>						
Current:						
General government	773,632	-	133,888	-	48,569	956,089
Public safety	280,186	-	-	-	221,319	501,505
Public works	1,022,692	-	-	-	44,029	1,066,721
Health, recreation, and social	119,060	-	5,000	-	475,537	599,597
Community preservation	115,136	-	16,500	-	29,255	160,891
Education	15,718,022	-	10,000	-	1,733,736	17,461,758
Education - on behalf	6,052,936	-	-	-	-	6,052,936
Unclassified and program	360,331	-	12,857	195	237,734	611,117
Capital outlay	-	1,296,258	1,318,216	-	58,777	2,673,251
Debt service:						
Principle	1,083,257	-	-	-	-	1,083,257
Interest	334,744	-	-	-	-	334,744
Total expenditures	25,859,996	1,296,258	1,496,461	195	2,848,956	31,501,866
Excess of revenues over (under) expenditures	2,194,512	439,355	-1,475,170	-190,952	-530,711	437,034
Other financing sources (uses)						
Operating transfers in	10,019	952,500	928,744	-	545,126	2,436,389
Operating transfers out	-2,084,415	-	-	-61,021	-290,953	-2,436,389
Total other financing sources (uses)	-2,074,396	952,500	928,744	-61,021	254,173	-
Net change in fund balance	120,116	1,391,855	-546,426	-251,973	-276,538	437,034
Fund balance - July 1	3,512,343	-1,625,926	1,335,861	1,965,965	2,271,527	7,459,770
Fund balance - June 30	\$ 3,632,459	\$ -234,071	\$ 789,435	\$ 1,713,992	\$ 1,994,989	\$ 7,896,804

See the accompanying notes to the basic financial statements.



**Town of Lebanon, Connecticut**  
Reconciliation of Statement B and Statement D  
for all governmental funds and activities  
June 30, 2008

Net changes in governmental fund balances as shown on Statement D \$ 437,034

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

1	Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:		
	Current year capital asset purchases to be capitalized	2,673,251	
	Current year depreciation expense on current and previous capital assets	<u>-1,431,598</u>	1,241,653
2	Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out:		68,913
3	The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.		
	Prior year deferred revenue amounts to be recognized	208,768	
	Current year revenue amounts to be deferred	<u>-60,773</u>	147,995
4	Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
	Operating transfers in	2,436,389	
	Operating transfers out	<u>-2,436,389</u>	-
5	Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:		
	Proceeds from the issuance of a new bond payable	-	
	Bonds, notes, and capital leases payable	1,096,998	
	Accrued compensated balances	-37,745	
	Estimated liability for post closure landfill care	<u>10,200</u>	1,069,453
6	Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:		
	Long-term account receivable due from the State for long-term liability reimbursement		
	Prior year recorded balance	-1,623,578	
	Current year recorded balance	1,143,496	
	Prior year recorded delinquent interest and lien receivable balance	-144,851	
	Current year recorded delinquent interest and lien receivable balance	<u>132,545</u>	-492,388

Change in net assets of governmental activities as shown on Statement B \$ 2,472,660

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2008

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Revenues</b>					
Property tax revenues, interest and liens	\$ 13,379,089	\$ -	\$ 13,379,089	\$ 13,371,837	\$ -7,252
Intergovernmental - education	5,936,886	-	5,936,886	6,067,395	130,509
Intergovernmental - tax relief	103,938	-	103,938	123,453	19,515
Intergovernmental - other	132,544	-	132,544	182,818	50,274
Tuition	1,478,010	-	1,478,010	1,778,384	300,374
Charges for services	394,180	-	394,180	315,857	-78,323
Interest and dividends	125,000	-	125,000	96,672	-28,328
Miscellaneous	70,800	-	70,800	65,156	-5,644
Total revenues	21,620,447	-	21,620,447	22,001,572	381,125
<b>Expenditures</b>					
General government:					
Legal counsel	20,000	9,883	29,883	28,825	1,058
Selectmen	120,000	13,485	133,485	133,485	-
Elections	27,000	10,624	37,624	37,624	-
Probate court	3,234	-	3,234	1,938	1,296
Board of finance	1,500	-	1,500	708	792
Treasurer	62,000	31,234	93,234	93,234	-
Tax collector	64,500	17,487	81,987	93,161	-11,174
Board of appeals	1,000	-	1,000	221	779
Town clerk	105,000	-	105,000	90,282	14,718
Assessor	71,000	-	71,000	63,871	7,129
Auditor	11,500	1,432	12,932	12,932	-
Town report	1,500	-	1,500	1,049	451
Computer service	39,000	-	39,000	33,842	5,158
Town hall	63,800	-8,013	55,787	55,040	747
Insurance	125,600	1,820	127,420	127,420	-
	716,634	77,952	794,586	773,632	20,954
Public safety:					
Resident trooper	98,000	-	98,000	96,191	1,809
Constables	85,000	2,826	87,826	87,826	-
Fire marshall	16,000	-	16,000	14,552	1,448
Burning official	2,300	-	2,300	1,937	363
Building department	44,500	346	44,846	44,846	-
Fire safety complex	43,450	-9,883	33,567	32,847	720
Civil preparedness	1,000	917	1,917	1,917	-
Tree warden	175	-	175	70	105
	290,425	-5,794	284,631	280,186	4,445
Public works:					
Department of public works	595,000	3,815	598,815	581,030	17,785
Buildings and grounds	73,500	673	74,173	73,806	367
Snow removal	110,000	51,807	161,807	161,807	-
Street lights	11,750	-	11,750	10,586	1,164
Solid waste facility	194,000	-13,485	180,515	180,293	222
Cemetery commission	11,895	3,275	15,170	15,170	-
	996,145	46,085	1,042,230	1,022,692	19,538
Health & social:					
Officer and inspection	24,000	-	24,000	18,093	5,907
Vital statistics	350	-	350	-	350
Public health service	1,000	-	1,000	1,000	-
Social services	17,500	-	17,500	17,403	97

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2008

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
Paramedic program	\$ 30,000	\$ -	\$ 30,000	\$ 29,085	\$ 915
United services	3,500	-	3,500	3,500	-
Switch board	29,569	-	29,569	29,569	-
School prizes	7,500	-	7,500	8,069	-569
Special events	2,000	-	2,000	671	1,329
Commission on aging	64,000	-52,322	11,678	11,670	8
	179,419	-52,322	127,097	119,060	8,037
Community preservation:					
Planning and zoning	110,000	-	110,000	107,163	2,837
Zoning board of appeals	6,635	-	6,635	2,846	3,789
CEDC	2,000	-	2,000	1,355	645
Flood and erosion	30	-	30	-	30
Inland wetlands	4,600	-	4,600	3,522	1,078
Conservation committee	250	-	250	250	-
	123,515	-	123,515	115,136	8,379
Education	15,800,000	-	15,800,000	15,694,975	105,025
Unclassified and program:					
Social security	88,000	-	88,000	89,044	-1,044
Medical life insurance	235,000	-	235,000	196,387	38,613
Pension plan	69,900	-	69,900	70,635	-735
Unemployment compensation	3,000	-	3,000	4,265	-1,265
Contingency	100,000	-93,664	6,336	-	6,336
	495,900	-93,664	402,236	360,331	41,905
Debt service:					
Principal	1,083,257	-	1,083,257	1,083,257	-
Interest	334,744	-	334,744	334,744	-
	1,418,001	-	1,418,001	1,418,001	-
Total expenditures	20,020,039	-27,743	19,992,296	19,784,013	208,283
Excess of revenues over (under) expenditures	1,600,408	27,743	1,628,151	2,217,559	589,408
Other financing sources (uses)					
Utilization of un-designated fund balance	400,000	47,427	447,427	-	-447,427
Operating transfers in	8,836	-	8,836	10,019	1,183
Operating transfers out	-2,009,244	-75,170	-2,084,414	-2,084,415	-1
Total other financing sources (uses)	-1,600,408	-27,743	1,628,151	-2,074,396	-446,245
Net change in fund balance	-	-	-	143,163	143,163
Non-budgeted State on behalf revenue				6,052,936	
Non-budgeted State on behalf expenditure				-6,052,936	
Prior year encumbrances				-23,047	
<b>Fund Balance - July 1</b>				3,512,343	
<b>Fund Balance - June 30</b>				<u>\$ 3,632,459</u>	

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of fiduciary assets and liabilities -  
Agency funds  
June 30, 2008

**Assets**

Cash	\$ 160,795
Investments	-
Receivables (net of allowance)	-
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 160,795</u></u>

**Liabilities**

Due to student groups	\$ 136,538
Due to other groups	24,257
Due to other governments	-
	<hr/>
Total liabilities	<u><u>\$ 160,795</u></u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Notes to Financial Statements  
June 30, 2008

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

**Note 1 - Summary of significant accounting policies**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. The Town also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The basic financial statements of the Town consist of government-wide financial statements and individual fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

**A. Reporting entity**

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. The general fund of this component unit has been treated as a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 29. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities. The financial information of the Department has been included as a non-major special revenue fund in the fund financial statements of the Town.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Regional Hospital. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the general fund of the Town to help offset the amount paid to Windham Regional Hospital. The Department returned \$11,664 to the Town during the current fiscal year. This amount is shown as miscellaneous revenue within the capital and non-recurring fund and as an operating expenditure within the fire department special revenue fund. The Department also receives memorial and trust funds as designated by the individual donor. These funds have been shown separately as individual special revenue funds in the same manner in which Town memorial and trust funds are shown. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition and therefore portions of their accumulated balances have been transferred into the fire departments general fund. The memorial fund trust is to be used for memorial type activities.

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**B. Government-wide financial statements**

**1. Basis of presentation**

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and discretely presented component units (if present) as well as the governmental and business type (if present) activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town. Different types of fiduciary activities and funds are pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

The statement of net assets presents the financial position of the governmental and business type (if present) activities of the primary government of the Town and discretely presented component units (if present) at the end of the fiscal year. This statement reports the assets, liabilities, and net assets of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net asset balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net assets are present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business type activities of the primary government of the Town and discretely presented component units (if present) of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated amongst the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal transactions between individual funds within the governmental and business type activities are eliminated in this statement. These internal transactions are also known as operating transfers in and out and are shown in the fund financial statements as such.

**2. Measurement focus and basis of accounting**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is used for both the governmental and business type (if present) activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. Revenues, expenses, gains, losses, assets, and liabilities resulting from non exchange like transactions are recognized in accordance with a number of specific GASB Statement No.'s including but not limited to 24, 33, 34, and 36.

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**C. Fund financial statements**

**1. Basis of presentation**

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net assets, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net assets. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental fund categories used by the Town include the general fund, special revenue funds, capital project funds, and permanent funds. The use and purpose of these individual governmental fund types are as follows.

- a. General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other government or for major capital projects) that are legally restricted to expenditure for specified purposes. Resources restricted to expenditure for purposes normally financed from the general fund are accounted for through the general fund providing that any applicable legal requirements can be appropriately satisfied. The general fund of all blended component units are reported as individual special revenue funds.
- c. Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or additions and the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and which benefit its citizens.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds is segregated between reserved and unreserved amounts. All reserved fund balances must be described in sufficient detail to disclose the purpose of the reservation. All unreserved fund balances are shown by the individual fund type in which they are a part of whether they are major or non-major funds. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net assets balance of the governmental activities of the Town as shown on the government-wide statement of net assets.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net assets balance of the governmental activities of the Town as shown on the government-wide statement of activities.

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The budgetary comparison schedule is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This schedule shows the original budget as voted on and appropriated, the changes made to each individual departmental item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net assets shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net assets shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net assets. Given the type of the fiduciary funds of the Town (agency funds), this statement of changes in fiduciary net assets is not required for the current fiscal year.

## **2. Measurement focus and basis of accounting**

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town.

The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

### **D. Cash and cash equivalents**

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town.

### **E. Investments**

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have other types of investments than those authorized by the State but they represent assets which have been donated to the Town.

### **F. Receivables**

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts (estimated to be zero). Fund financial statement accounts receivable balances include property tax principle amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and amounts due from State grant holding agents (Reich & Tang). Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the property tax principle amounts and planned State construction principle and interest reimbursements to be made to the Town. These State reimbursements are broken down between current amounts expected to be reimbursed within one year and long-term amounts expected to be reimbursed beyond one year. The Town will book an unbilled receivable in situations when a grant or contract has been earned in part or in whole but which has not yet been fully received in cash for the amount earned. The notes receivable balance is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 31.

### **G. Tax acquired property**

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold.



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**H. Revenue recognition - property taxes**

The Town's property tax for the current year was levied May 17, 2007 on the grand list as of October 1, 2006, for the real, motor vehicle and personal property located in the Town. Taxes were due on July 1, 2007, and January 1, 2008. Interest on unpaid taxes commenced on August 1, 2007, and February 1, 2008, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principle property tax assessment with an adjustment being made for the amount of principle expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principle assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

**I. Inventories**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used.

**J. Inter fund receivables and payables**

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to budgeted transfers which were not physically made but need to be recorded to keep track of the individual fund balances and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. Expenditures for one fund paid for out of another fund are also included in these balances. The budgeted transfers referred to above are shown as operating transfers in and out on the statement of revenues, expenditures, and changes in fund balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances have been eliminated in the government-wide statement of net assets and the statement of activities.

**K. Prepaid items**

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. In accordance with GASB Statement No. 6, expenditures relatively minor in nature for insurances and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000.

**L. Capital assets**

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital asset with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net assets (Statement A page 10).

All individual capital assets of the Town are depreciated over their estimated useful life using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful life for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Land and other inexhaustible capital assets are not depreciated. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense

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is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above.

**M. Deferred revenue**

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as deferred revenue. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which they apply and other miscellaneous items are recorded as deferred revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue.

**N. Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for) which is consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 15, 2007.

**O. Encumbrance accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Lebanon does utilize encumbrance accounting. Reservation of fund balance at June 30, 2008 was \$0 for the general fund as it relates to the Board of Education, and \$8,142 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

**P. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

**Q. Major funds - Fund financial statements only**

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

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For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for three individual town projects. Construction at the elementary and middle schools are being financed by the State and the Town through annual appropriations and bonding. The fire safety complex is being financed through annual appropriations and bonding. Combining schedules of financial information for the individual projects making up this fund can be found on Sub-Schedule A on page 53.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments.
- f. Investment trusts fund - This fund is used to account for several trusts given to the town by Hugh Trumbull Adams with the revenue generated by these trusts to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house. Combining schedules of financial information for the individual trust fund designations making up this fund can be found on Sub-Schedule B on page 54.

**R. Unclassified and program expenditures**

The Town uses an expenditure category labeled unclassified and program to account for types of expenditures that they do not feel truly fall into the traditional expenditure categories of a governmental unit. The general fund classifies Town wide fringe benefits into this unclassified category. The expenditures of the Town's housing rehabilitation program and revolving loan fund are put into this category as well as other miscellaneous programs that do not fall into any of the traditional categories.

**Note 2 - Cash and investments**

**A. Cash**

Custodial credit risk - This is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. The Town's bank balances are categorized to give an indication of the level of credit risk (estimated FDIC coverage by ownership) of institutional failure (not market risk) assumed by the Town at year-end. The difference between the carrying amount and the bank balances is due to timing differences in relation to deposits in transit and outstanding checks written by the Town but not yet cleared by the bank. The three categories of credit risk are: 1) cash insured or collateralized with securities held by the Town or by its agent in the Town's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities that are held by the pledging financial institution, or by its trust department or agent but not in the Town's name.

	Carrying Amount	Bank Balance	Category		
			#1	#2	#3
Cash balances	<u>\$ 4,651,888</u>	<u>\$ 5,125,494</u>	<u>\$ 509,504</u>	<u>\$ -</u>	<u>\$ 4,615,990</u>
	\$ 4,491,093	Balance sheet - cash			
	160,795	Statement of fiduciary assets and liabilities - cash			
	<u>\$ 4,651,888</u>				
	\$ 3,816,051	Statement of net assets - cash			
	675,042	Statement of net assets - restricted cash			
	<u>\$ 4,491,093</u>				

All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

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**B. Investments**

The Town's investments are categorized to give an indication of the level of credit risk (estimated SIPC coverage) of institutional failure (not market risk) assumed by the Town at year-end. The three categories of credit risk are: 1) insured or registered investments or securities held by the Town or its agent in the Town's name, 2) uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name, and 3) uninsured and unregistered investments with securities held by the counterparty or by its trust department or agent but not in the Town's name.

Investment type	Fair Value	Category		
		#1	#2	#3
Repurchase agreement	\$ 305,058	\$ -	\$ 305,058	\$ -
STIF account	24,372	24,372	-	-
Cash & money markets	6,669	6,669	-	-
Fixed income	118,134	118,134	-	-
Equities	1,397,560	1,208,299	-	189,261
	1,851,793	\$ 1,357,474	\$ 305,058	\$ 189,261
Open-ended mutual funds	200,474			
	<u>\$ 2,052,267</u>			
	\$ 329,430	Statement of net assets - investments		
	1,722,837	Statement of net assets - restricted investments		
	<u>\$ 2,052,267</u>			

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. The State Short-Term Investment Fund (STIF) account of which the Town is invested was rated as AAA by Standard and Poor's. Other fixed income, equities and stocks, and mutual funds are un-rated.

**Note 3 - Restricted cash and investments - government-wide financial statements only**

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net assets. The other asset restricted investment amount is made up of the balance of the investments which have been donated to the Town and whose interest only is used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. This investments balance can also be seen on the fund financial statements balance sheet as the major fund labeled the investment trust fund. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net assets can be broken down as follows.

Community development projects	\$ 1,538
State, federal, and other grant program balances deferred	60,772
Principle balance of non-major permanent funds	313,743
Restricted donations made to the Town	298,989
	<u>\$ 675,042</u>

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**Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only**

The Town maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each funds position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivable and payables by individual major fund and non-major fund groups in the aggregate. Separate balances due shown up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types and groups may have either a due to or a due from balance. The Town believes it is more beneficial to shown this information by category rather than netted out.

	Receivable due from	Payable due to
<b>General fund:</b>		
Town construction projects	\$ 1,226,748	\$ -813,796
Capital and non-recurring fund	-	-327,457
Non-major special revenue funds	357,214	-629,849
Non-major capital project funds	59,022	-15,710
Non-major permanent funds	11,082	-
	<u>\$ 1,654,066</u>	<u>\$ -1,786,812</u>
<b>Town construction projects</b>		
General fund	<u>\$ 813,977</u>	<u>\$ -1,226,748</u>
<b>Capital and non-recurring fund:</b>		
General fund	<u>\$ 327,457</u>	<u>\$ -</u>

Operating transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major fund groups in the aggregate:

	Operating transfers in	Operating transfers out
<b>General fund:</b>		
Town construction projects	\$ -	\$ -702,500
Capital and non-recurring fund	-	-928,744
Non-major special revenue funds	-	-453,171
Non-major permanent funds	10,019	-
	<u>\$ 10,019</u>	<u>\$ -2,084,415</u>
<b>Town construction projects:</b>		
General fund	\$ 702,500	\$ -
Non-major special revenue funds	250,000	-
	<u>\$ 952,500</u>	<u>\$ -</u>
<b>Capital and non-recurring fund:</b>		
General fund	<u>\$ 928,744</u>	<u>\$ -</u>
<b>Investment trust funds:</b>		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -61,021</u>

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**Note 5 - Capital assets - government-wide financial statements only**

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2008. As shown below, the capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. Capital assets and the accounting for such assets are more fully described in Note L of the financial statements starting on page 23.

	Balance 07/01/07	Additions	Retirements	Balance 06/30/08
Governmental activities:				
Land and improvements	\$ 1,896,289	\$ -	\$ -	\$ 1,896,289
Buildings and improvements	17,786,283	15,638,979	-	33,425,262
Vehicles	3,144,966	130,111	-	3,275,077
Equipment	619,303	-	-	619,303
Infrastructure	21,603,726	669,353	-	22,273,079
Construction in progress	15,649,713	1,332,460	-15,097,652	1,884,521
Total at historical cost	<u>60,700,280</u>	<u>17,770,903</u>	<u>-15,097,652</u>	<u>63,373,531</u>
Less accumulated depreciation for:				
Building and improvements	-7,892,208	-828,336	-	-8,720,544
Vehicles	-1,710,344	-151,757	-	-1,862,101
Equipment	-289,554	-84,044	-	-373,598
Infrastructure	-15,894,522	-367,461	-	-16,261,983
Total accumulated depreciation	<u>-25,786,628</u>	<u>-1,431,598</u>	<u>-</u>	<u>-27,218,226</u>
 Total capital assets (net)	 <u>\$ 34,913,652</u>	 <u>\$ 16,339,305</u>	 <u>\$ -15,097,652</u>	 <u>\$ 36,155,305</u>

Depreciation expense by function or department:

General government	\$ -9,939
Public safety	-149,450
Public works	-65,712
Health, recreation, and social	-3,561
Education	-835,475
General infrastructure depreciation	-367,461
	<u>\$ -1,431,598</u>

Fixed asset additions by function or department:

Capital outlay (net)	<u>\$ 2,673,251</u>
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**Town of Lebanon, Connecticut**  
Notes to Financial Statements  
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**Note 6 - Long-term liabilities - government-wide financial statements only**

	Balance 07/1/07	Additions	Reductions	Balance 06/30/08	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 5,365,000	\$ -	\$ -385,000	\$ 4,980,000	\$ 385,000
\$4,500,000 bond payable	1,125,000	-	-225,000	900,000	225,000
\$486,650 bond payable	316,226	-	-23,257	292,969	24,446
\$3,955,000 bond payable	1,505,000	-	-450,000	1,055,000	435,000
\$84,609 capital leases payable	34,636	-	-13,741	20,895	14,610
Total outstanding payables	<u>8,345,862</u>	<u>-</u>	<u>-1,096,998</u>	<u>7,248,864</u>	<u>1,084,056</u>
Other liabilities:					
Accrued comp. absences - school	37,384	27,345	-	64,729	
Accrued comp. absences - town	41,180	10,400	-	51,580	
Accrued landfill post-closure costs	145,031	-	-10,200	134,831	
Total other liabilities	<u>223,595</u>	<u>37,745</u>	<u>-10,200</u>	<u>251,140</u>	
Total long-term liabilities	<u>\$ 8,569,457</u>	<u>\$ 37,745</u>	<u>\$ -1,107,198</u>	<u>\$ 7,500,004</u>	<u>\$ 1,084,056</u>

The following is a summary of the terms, conditions, and ending balance as of June 30, 2008 of the outstanding long-term bonds and notes payable, and capital leases payable of the Town:

Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest at 3.80%.	\$ 4,980,000
\$4,500,000 bond payable issued in August of 1991 to finance the construction of schools. Annual principal installments are \$225,000 through August of 2011. Interest at 6.44%.	900,000
\$486,650 bond payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 which includes interest at 5.00%. The bonds are due in February of 2018.	292,969
\$3,955,000 bond payable issued in March of 2002 in a current refunding to re-finance two previously issued school construction bonds. Annual principal installments range from \$200,000 to \$515,000 through September of 2010. Interest from 3.00% to 5.00%.	<u>1,055,000</u>
	<u>7,227,969</u>

Capital leases payable

\$84,609 capital leases payable dated in January of 2003 and commencing in July of 2003 to finance the purchase of a new telephone system by the school department. There are two individual leases making up the total for this project with each lease being payable through November of 2009. Monthly payments under these two individual lease agreements are \$1,031, and \$369 which include interest at 6.15% and an applicable property tax assessment amount.	<u>20,895</u>
	<u>\$ 7,248,864</u>

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The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending June 30,:

	Principal	Interest	Total		Principal	Interest	Total
2009	\$ 1,069,446	\$ 286,431	\$ 1,355,877	2016	\$ 419,666	\$ 83,389	\$ 503,055
2010	1,055,698	236,443	1,292,141	2017	416,440	67,080	483,520
2011	837,012	190,836	1,027,848	2018	402,112	50,908	453,020
2012	638,395	155,661	794,056	2019	380,000	36,100	416,100
2013	414,847	132,098	546,945	2020	380,000	21,660	401,660
2014	416,374	115,941	532,315	2021	380,000	7,220	387,220
2015	417,979	99,706	517,685		<u>7,227,969</u>	<u>1,483,473</u>	<u>8,711,442</u>

The capital leases of the Town are for a new telephone system for the school department. The telephone system has been classified as an equipment type capital asset on the government-wide statement of net assets. The gross amount of the telephone system recorded as a capital asset is \$84,609 with the accumulated amortization (depreciation) being \$76,149 as of June 30, 2008. The following schedule represents the future minimum lease payments under these leases as of June 30, 2008 in the aggregate and for each of the five subsequent fiscal years ending June 30, reduced by the amount representing interest to determine the net present value of these payments.

2008	\$ 16,800
2009	6,928
2010	-
2011	-
2012	-
Total minimum lease payments	<u>23,728</u>
Less: amount representing interest	-974
Less: amount representing taxes	-1,859
Net present value of future minimum lease payments	<u>\$ 20,895</u>

**A. Accrued compensated absences**

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2008, school accumulated sick balances totaled approximately \$366,841. A current portion of these liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

**B. Accrued landfill post-closure costs**

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2008 the amount outstanding for post-closure monitoring was \$134,831 which is shown as a long-term liability on the government-wide statement of net assets. A current portion of this liability has not been estimated due to the fact that the price of the upcoming fiscal year monitoring, year end report and other possibly unforeseen costs is unknown.



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**Note 7 - Deficit fund balances**

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual non-major funds had deficit fund balances as of June 30, 2008. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The dog fund deficit fund balance is expected to be covered in subsequent fiscal years by Town appropriation, and/or program revenues. The LES and LMS building projects are being jointly financed by the State and the Town. The current deficit in these funds represents the Town's estimated portion to date which will be appropriated in the upcoming fiscal years less any additional amounts received from the State. The remainder of these deficit fund balances represent State and Federal award programs. The deficit fund balances are the result of grant funds being spent either before they can be billed for or before they have been billed for.

Non-major special revenue funds:		Non-major capital project funds:	
Dog fund	\$ -8,623	Town bridge projects	\$ -52,980
Homeland security grant	-9,787	Major funds:	
School vo-ag equipment grant	-5,529	Town construction projects	
Rails to trails grant	-1,969	LES building project	-717,621
School necasa grant	-137	LMS building project	-326,396
	<u>-26,045</u>		<u>-1,044,017</u>
			<u>\$ -1,123,042</u>

**Note 8 - Net asset balances - invested in capital assets**

The invested in capital assets, net of related debt net asset balance on the government-wide statement of net assets consisted of the following items as of June 30, 2008.

	Governmental activities
Recorded cost of capital assets	\$ 63,373,531
Less accumulated depreciation	<u>-27,218,531</u>
Book value of capital assets	36,155,305
Less capital assets related debt	<u>-7,248,864</u>
Total invested in capital assets, net of related debt	<u>\$ 28,906,441</u>

**Note 9 - Net asset and fund balances - restricted and reserved**

The Town received a housing rehabilitation CDBG grant from the U.S. Department of Housing and Urban Development. The purpose of the grant is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described below. Each resident receiving benefits under this grant is required to sign a deferred partially forgivable promissory note. This note must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into this loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This forgivable portion will be shown as a bad debt item and reduce the restricted net asset balance in the government-wide financial statements and the reserved fund balance in the fund financial statements. As of June 30, 2008, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 1,538
Notes receivable (net of allowance)	354,134
Current liabilities	-1,500
Restricted net assets and reserved fund balance	<u>-354,172</u>
	<u>\$ -</u>

**Town of Lebanon, Connecticut**  
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**Note 10 - Employees' retirement plans**

Municipal Employees' Retirement System - Fund B

**A. Plan description**

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Municipal Employees' Retirement System, Hartford, Connecticut 04269.

**B. Funding policy**

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by Social Security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ending June 30, 2008 for the Town is as follows.

	Police and fire employees	General employees
With social security	8.00%	6.75%
Without social security	7.75%	7.00%

**C. Contributions required and contributions made**

The Town's total actual contributions for covered employees for the years ending June 30, 2008, 2007, and 2006 were \$67,834, \$65,498, and \$58,249, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2008	2007	2006
Contributions	\$ 51,368	\$ 49,617	\$ 42,293
Fees	2,610	2,025	2,100
Amortization	13,856	13,856	13,856
	<u>\$ 67,834</u>	<u>\$ 65,498</u>	<u>\$ 58,249</u>

**D. Teachers**

The Lebanon Board of Education participates in the Connecticut Teacher's Retirement Fund through the State of Connecticut Retirement Commission, for coverage of all certified teachers. The certified faculty and administrative personnel of the Board participate in a contributory defined benefit plan established under Chapter 167a of the State of Connecticut General Statutes, which is administered by the Connecticut State Teacher's Retirement Board. All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. Teachers are fully vested in their contribution up to 5% of their earnings at all times. After five years of service the teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the defined benefit plan which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The Town is not required to contribute to this plan.

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**Note 11 - On-behalf payments**

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2008. The pension contributions made by the State are determined on an actuarial reserve basis as described in sections 10-1831 and 10-183z, C.G.S. For the fiscal year ended June 30, 2008, the Lebanon School Department's total covered payroll was approximately \$8,179,644 and the applicable on-behalf payment percentage for the period was 74.00%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$6,052,936 and an education expenditure of \$6,052,936 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$6,052,936 and an expense in the governmental activities section under a separate education function line item of \$6,052,936 have been included on Statement B of the government-wide financial statements. There is no effect on the net asset balance at the end of the year. The above State funding percentage of 74.00% compares to 12.65% during the prior fiscal year. The above State on-behalf payment of \$6,052,936 compares to \$993,409 during the prior fiscal year.

**Note 12 - Commitments and contingencies - Operating leases**

The Town and more specifically the school department of the Town lease a number of photocopiers under four leases which are classified operating leases. For these leases to be classified as capital leases they must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The following information pertain to the above mentioned operating lease agreements:

Lease #	Lease term	Monthly payments	Expiration date of lease	Fiscal year	Total monthly lease payments
1	60 months	\$ 2,624	April of 2009	2008	\$ 23,616
2	60 months	2,684	October of 2007	2009	-
3	60 months	291	October of 2007	2010	-
4	37 months	175	August of 2009	2011	-

**Note 13 - Risk management, commitments and contingencies - other**

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

The Board of Education of the Town settled a workers compensation claim with a former employee. In accordance with the settlement, the Board is obligated to pay 75% towards the health insurance premiums of the claimant not to exceed \$6,000 per year until the claimant reaches the age of 65 or becomes deceased. The claimant is currently 50 years old. The expenditures in relation to this settlement will be charged as they are incurred on an annual basis. No liability will be accrued by the Town in either the fund or government-wide financial statements due to the uncertainty of the duration of the claim.

A personal injury claim was directed to the Town via the Town Clerk but the incident which is part of the claim is alleged to have taken place at the Lebanon middle school. The claim has been made in the amount of \$1,000,000. The Board of Education has denied any liability in this matter and intend, in the event that a civil suit is brought, to vigorously defend the case. The matter has been referred to the school's insurance company for defense. Another personal injury claim was directed to the Town via the Town Clerk naming the Board of Education, the Town, and others as defendants. The claim has to do with alleged personal injuries sustained from a fall from bleachers located at the Lebanon Middle School. This matter has been referred to the schools insurance

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company for defense. Court records reflect that this civil matter was concluded in May 2008. The Town Clerk received notice pursuant to Connecticut general statute §7-465 asserting an intent to commence civil action against the Town of Lebanon for injuries sustained at the Lebanon Elementary School playground. A civil personal injury action has not yet been instituted against either the Town of Lebanon or the Board of Education. This matter has been referred to the schools insurance company for defense. Court records reflect that this matter was resolved prior to a trial being conducted. The Town Clerk received notice pursuant to Connecticut general statute §7-465 of a potential action against the town for injuries received as a result of dog bites by dogs owned within the Town of Lebanon. A civil suit has not yet, as of the end of October 2008, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend the case. The Town Clerk received notice pursuant to General Statutes §7-101a, 7-308 and 7-465 reciting the intention to institute a suit against the Town of Lebanon, the Lebanon Fire Department and others as it relates to an incident at Amston Lake in October 2005. A civil suit has not yet, as of the end of October 2008, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend the case. Legal inquiry letters as part of the annual audit were sent out to two other legal firms that conduct business with the Town. Responses to these inquiry letters were not received for inclusion in the annual financial statements. Any inquiries relating to information which may have been included in the responses to these legal inquiries should be directed to the administrative offices of the Town.

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education has a facility management systems, temperature control and system support services contract which encompasses each of the three schools which is for a one year period beginning July 1, 2007. The Town has a cleaning and maintenance contract which encompasses a number of Town buildings and facilities. The Town also has a lawn and cemetery care maintenance contract which runs from April 15, 2007 through December 31, 2008 at annual rates of \$28,000 and \$30,000 which is billed in 10 monthly installments. These monthly amounts can also be increased by either 10% or 15% per month based on the price of diesel fuel during any given month for that month. The Town and Board of Education also have a number of different construction contracts for various projects at various stages of completion. These construction contracts cover such activities as the school construction projects, the senior center construction project and bridge construction projects. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and smaller agreements can be found at the administrative offices of both the Town and the Board of Education.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2008 may be impaired. In the opinion of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

The carrying amount of the Town's cash balances as of June 30, 2008 totaled \$4,651,888 with the related balances being carried by the various financial institutions totaling \$5,125,494. The difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. The deposits of the Town are insured by the various financial institutions through the Federal Deposit Insurance Corporation (FDIC). FDIC provides insurance on the Town's deposits in the amount of \$100,000 for its cumulative accounts at each of the various financial institutions. This coverage is based on the ownership type of the specific accounts. For the purposes of this disclosure, the cash balances of the Town have been segregated into three ownership groups. The Board of Education, the volunteer fire department, and the Town. It is conceivable that the individual financial institution could determine that the deposits of the Town should either be divided into more or less ownership groups. Therefore, the information contained in this disclosure and in note 2 is based on the above mentioned ownership groups. An increase or decrease could effect the amount of Town cash balances that are considered to be insured. Due to the use of two main financial institutions for the majority of the Town's cash, the cumulative amounts at this financial institution exceed the amount covered by FDIC. As a result, these excess balances represent uninsured cash balances and risks to the Town in the event of failure by these financial institutions. Though the failure of these financial institutions is unlikely, the risk to the Town is material. As of June 30, 2008, approximately \$4,615,990 of these financial institution balances were uninsured representing approximately 90% of the Town's total cash balances being carried by banks.

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**Note 14 - Government Accounting Standards Board pronouncements**

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post employment benefits other than pension benefits. The Town is required to implement this standard for the fiscal year ending after December 15, 2007 which would be the fiscal year beginning July 1, 2008. The objective of Statement No. 43 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). OPEB plans are plans that provide postemployment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education does provide a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy. The Town does not provide this benefit to retirees.

**Note 15 - Restatements and reclassifications**

A reclassification was made during the current fiscal year within the fund financial statements of the Town. The senior center CDBG grant account was reclassified from a non-major special revenue fund to part of the town construction projects fund. The net affect of this reclassification is an increase in the beginning fund balance of the town construction projects major fund in the amount of \$2,459 and a decrease in the beginning balance of the non-major special revenue fund of the Town in the same amount.

One additional reclassification was made as it relates to special education excess cost grants, placement grants and educational services for the blind grants received by the Board of Education. This revenue was netted against Board of Education expenditures within the general fund in prior fiscal years based on conversations with the State Department of Education. This was done in effect because these revenues represent a reimbursement for expenditures which are not a part of the Board of Education operating budget. For the prior fiscal year and during the current fiscal year, these revenues and the related expenditures have been reclassified to a non-major special revenue fund. This was based on further conversations with the State Department of Education and does not affect the amounts recorded within the general fund of the Town for education expenditures. This does increase the education expenditures and education revenues within the non-major special revenue funds. The amount reclassified in the government-wide financial statements for the prior fiscal year equals \$308,788.

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major governmental funds  
As of and for the year ended June 30, 2008

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
<b>Assets</b>				
Cash	\$ 1,022,875	\$ 16,985	\$ 325,443	\$ 1,365,303
Investments	-	-	8,845	8,845
Accounts receivable (net)				
Intergovernmental	67,462	-	-	67,462
Other	364,435	28,755	-	393,190
Inventories	13,349	-	-	13,349
Due from other funds	630,467	15,710	-	646,177
Total assets	<u>2,098,588</u>	<u>61,450</u>	<u>334,288</u>	<u>\$ 2,494,326</u>
<b>Liabilities</b>				
Accounts payable	42,646	-	-	42,646
Deferred property tax revenue	-	28,755	-	28,755
Due to other funds	357,214	59,022	11,700	427,936
Total liabilities	<u>399,860</u>	<u>87,777</u>	<u>11,700</u>	<u>499,337</u>
<b>Fund balance</b>				
Reserved	368,219	-	-	368,219
Unreserved	1,330,509	-26,327	322,588	1,626,770
Total fund balance	<u>1,698,728</u>	<u>-26,327</u>	<u>322,588</u>	<u>1,994,989</u>
Total liabilities and fund balance	<u>\$ 2,098,588</u>	<u>\$ 61,450</u>	<u>\$ 334,288</u>	<u>\$ 2,494,326</u>
<b>Revenues</b>				
Intergovernmental	\$ 1,351,010	\$ 33,731	\$ -	\$ 1,384,741
Interest and dividends	12,597	-	10,674	23,271
Charges for services	536,599	-	-	536,599
Miscellaneous	364,505	9,669	-540	373,634
Total revenues	<u>2,264,711</u>	<u>43,400</u>	<u>10,134</u>	<u>2,318,245</u>
<b>Expenditures</b>				
Salary and wages	717,701	-	-	717,701
Program operating costs	1,703,595	-	-	1,703,595
Capital outlay	45,084	13,693	-	58,777
Miscellaneous	368,883	-	-	368,883
Total expenditures	<u>2,835,263</u>	<u>13,693</u>	<u>-</u>	<u>2,848,956</u>
Excess of revenues over (under) expenditures	<u>-570,552</u>	<u>29,707</u>	<u>10,134</u>	<u>-530,711</u>
Other financing sources (uses)				
Operating transfers in	522,278	22,848	-	545,126
Operating transfers out	-280,394	-	-10,559	-290,953
Total other financing sources (uses)	<u>241,884</u>	<u>22,848</u>	<u>-10,559</u>	<u>254,173</u>
Net change in fund balance	-328,668	52,555	-425	-276,538
<b>Fund balance - July 1</b>	<u>2,027,396</u>	<u>-78,882</u>	<u>323,013</u>	<u>2,271,527</u>
<b>Fund balance - June 30</b>	<u>\$ 1,698,728</u>	<u>\$ -26,327</u>	<u>\$ 322,588</u>	<u>\$ 1,994,989</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Trumbull donations fund	School lunch program	School lunch vegetable grant	Lebanon public library	Lebanon fire dept & ambulance service	Senior vans
<b>Assets</b>						
Cash	\$ -	\$ 50,436	\$ -	\$ 86,921	\$ 367,228	\$ -
Accounts receivable (net)						
Intergovernmental	-	13,644	-	-	-	-
Other	-	-	-	2,748	-	-
Inventories	-	-	-	-	-	-
Due from other funds	298,989	13,349	-	618	-	20,636
Total assets	298,989	77,429	-	90,287	367,228	20,636
<b>Liabilities</b>						
Accounts payable	-	7,444	-	6,564	5,577	17
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	6,408	-	47,516	-	-
Total liabilities	-	13,852	-	54,080	5,577	17
<b>Fund balance</b>						
Reserved	-	5,905	-	-	-	-
Unreserved	298,989	57,672	-	36,207	361,651	20,619
Total fund balance	298,989	63,577	-	36,207	361,651	20,619
Total liabilities and fund balance	\$ 298,989	\$ 77,429	\$ -	\$ 90,287	\$ 367,228	\$ 20,636
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ 89,193	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	23,218	-	-
Interest and dividends	-	141	-	-	9,286	-
Charges for services	-	312,131	-	-	145,434	3,689
Miscellaneous	94	6,564	-	21,807	51,246	25,181
Total revenues	94	408,029	-	45,025	205,966	28,870
<b>Expenditures</b>						
Salary and wages	-	245,286	-	117,117	-	33,036
Program operating costs	-	181,901	2,100	113,449	138,495	25,616
Capital outlay	-	-	-	-	45,084	-
Miscellaneous	427	9,792	-	10,090	80,931	1,921
Total expenditures	427	436,979	2,100	240,656	264,510	60,573
Excess of revenues over (under) expenditures	-333	-28,950	-2,100	-195,631	-58,544	-31,703
Other financing sources (uses)						
Operating transfers in	-	-	-	215,457	115,394	52,322
Operating transfers out	-250,000	-	-	-	-	-
Total other financing sources (uses)	-250,000	-	-	215,457	115,394	52,322
Net change in fund balance	-250,333	-28,950	-2,100	19,826	56,850	20,619
<b>Fund balance - July 1</b>	549,322	92,527	2,100	16,381	304,801	-
<b>Fund balance - June 30</b>	\$ 298,989	\$ 63,577	\$ -	\$ 36,207	\$ 361,651	\$ 20,619

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
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As of and for the year ended June 30, 2008

	Housing rehab grant	Housing rehab loan fund	Lebanon recreation commission	Jonathan Trumbull Jr. house	Dog fund	Adams community center
<b>Assets</b>						
Cash	\$ 4,284	\$ 1,538	\$ -	\$ 38,901	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	354,134	1,350	2,135	30	2,196
Inventories	-	-	-	-	-	-
Due from other funds	-	-	9,293	21,360	-	22,775
Total assets	4,284	355,672	10,643	62,396	30	24,971
<b>Liabilities</b>						
Accounts payable	450	-	634	169	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	2,290	1,500	-	-	8,653	-
Total liabilities	2,740	1,500	634	169	8,653	-
<b>Fund balance</b>						
Reserved	-	354,172	-	-	-	-
Unreserved	1,544	-	10,009	62,227	-8,623	24,971
Total fund balance	1,544	354,172	10,009	62,227	-8,623	24,971
Total liabilities and fund balance	\$ 4,284	\$ 355,672	\$ 10,643	\$ 62,396	\$ 30	\$ 24,971
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	193,000	-	-	-	-	-
Interest and dividends	-	-	-	574	-	-
Charges for services	-	-	-	-	3,373	1,950
Miscellaneous	-	52,880	31,403	490	561	250
Total revenues	193,000	52,880	31,403	1,064	3,934	2,200
<b>Expenditures</b>						
Salary and wages	-	-	28,055	4,265	17,148	-
Program operating costs	151,456	2,600	56,218	8,844	6,588	31,571
Capital outlay	-	-	-	-	-	-
Miscellaneous	40,000	43,251	-	199	500	195
Total expenditures	191,456	45,851	84,273	13,308	24,236	31,766
Excess of revenues over (under) expenditures	1,544	7,029	-52,870	-12,244	-20,302	-29,566
Other financing sources (uses)						
Operating transfers in	-	-	30,000	17,194	17,000	24,911
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	30,000	17,194	17,000	24,911
Net change in fund balance	1,544	7,029	-22,870	4,950	-3,302	-4,655
<b>Fund balance - July 1</b>	-	347,143	32,879	57,277	-5,321	29,626
<b>Fund balance - June 30</b>	\$ 1,544	\$ 354,172	\$ 10,009	\$ 62,227	\$ -8,623	\$ 24,971



**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Historic documents preservation	Locip surcharge	Summer dance festival	TIP	Warm hearts	Cemetery lot sales maintain
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,601
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	1,746	-	96	-
Inventories	-	-	-	-	-	-
Due from other funds	9,580	15,253	8,209	34,146	11,441	39,709
Total assets	9,580	15,253	9,955	34,146	11,537	77,310
<b>Liabilities</b>						
Accounts payable	-	-	1,322	85	371	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	1,322	85	371	-
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	9,580	15,253	8,633	34,061	11,166	77,310
Total fund balance	9,580	15,253	8,633	34,061	11,166	77,310
Total liabilities and fund balance	\$ 9,580	\$ 15,253	\$ 9,955	\$ 34,146	\$ 11,537	\$ 77,310
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	555
Charges for services	3,471	5,205	-	-	-	4,200
Miscellaneous	-	-	14,042	-	7,164	-
Total revenues	3,471	5,205	14,042	-	7,164	4,755
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	23,848	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	431	-	14,402	-	6,323	42
Total expenditures	431	-	14,402	23,848	6,323	42
Excess of revenues over (under) expenditures	3,040	5,205	-360	-23,848	841	4,713
Other financing sources (uses)						
Operating transfers in	-	-	-	50,000	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	50,000	-	-
Net change in fund balance	3,040	5,205	-360	26,152	841	4,713
<b>Fund balance - July 1</b>	6,540	10,048	8,993	7,909	10,325	72,597
<b>Fund balance - June 30</b>	\$ 9,580	\$ 15,253	\$ 8,633	\$ 34,061	\$ 11,166	\$ 77,310

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Walkway and tree fund	Adams tree fund	Historic buildings improve.	Anthem demutual. Proceeds	Vo-agr. equipment grant	Unimproved town roads
<b>Assets</b>						
Cash	\$ -	\$ 3,856	\$ 9,998	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	46,028	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	1,810	-	-	82,859	-	41,998
Total assets	1,810	3,856	9,998	82,859	46,028	41,998
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	4,510
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	51,557	-
Total liabilities	-	-	-	-	51,557	4,510
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	1,810	3,856	9,998	82,859	-5,529	37,488
Total fund balance	1,810	3,856	9,998	82,859	-5,529	37,488
Total liabilities and fund balance	\$ 1,810	\$ 3,856	\$ 9,998	\$ 82,859	\$ 46,028	\$ 41,998
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 46,028	\$ -
Intergovernmental - other	-	-	-	-	-	45,252
Interest and dividends	-	57	148	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	57	148	-	46,028	45,252
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	3,997
Program operating costs	-	-	-	-	51,557	38,111
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	51,557	42,108
Excess of revenues over (under) expenditures	-	57	148	-	-5,529	3,144
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-	57	148	-	-5,529	3,144
<b>Fund balance - July 1</b>	1,810	3,799	9,850	82,859	-	34,344
<b>Fund balance - June 30</b>	\$ 1,810	\$ 3,856	\$ 9,998	\$ 82,859	\$ -5,529	\$ 37,488

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Rails to trails grant	State aid drug abuse	Special ed excess costs	Special ed agency placements	BESB grant	Board of ed one-on-one special ed
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	628	-	-	-	-
Total assets	-	628	-	-	-	-
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	1,969	-	-	-	-	-
Total liabilities	1,969	-	-	-	-	-
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	-1,969	628	-	-	-	-
Total fund balance	-1,969	628	-	-	-	-
Total liabilities and fund balance	\$ -	\$ 628	\$ -	\$ -	\$ -	\$ -
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ 384,578	\$ 64,585	\$ 5,756	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	57,146
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	384,578	64,585	5,756	57,146
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	57,146
Program operating costs	-	-	384,578	64,585	5,756	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	1,921	-	-	-	-	-
Total expenditures	1,921	-	384,578	64,585	5,756	57,146
Excess of revenues over (under) expenditures	-1,921	-	-	-	-	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-1,921	-	-	-	-	-
<b>Fund balance - July 1</b>	-48	628	-	-	-	-
<b>Fund balance - June 30</b>	\$ -1,969	\$ 628	\$ -	\$ -	\$ -	\$ -

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
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As of and for the year ended June 30, 2008

	Technology wiring grant	Agriculture viability grant	Agriculture viability grant	Homeland security grant	Hinckley fire dept. trust	Memorial fire dept trust
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 559	\$ 25,082
Accounts receivable (net)						
Intergovernmental	-	-	7,790	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	566	-	-	-	-
Total assets	-	566	7,790	-	559	25,082
<b>Liabilities</b>						
Accounts payable	-	-	402	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	7,388	9,787	-	-
Total liabilities	-	-	7,790	9,787	-	-
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	-	566	-	-9,787	559	25,082
Total fund balance	-	566	-	-9,787	559	25,082
Total liabilities and fund balance	\$ -	\$ 566	\$ -	\$ -	\$ 559	\$ 25,082
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	46,582	7,790	-	-	-
Interest and dividends	-	-	-	-	75	57
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	1,303
Total revenues	-	46,582	7,790	-	75	1,360
<b>Expenditures</b>						
Salary and wages	-	1,960	-	-	-	-
Program operating costs	91,085	19,074	7,790	1,893	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	91,085	21,034	7,790	1,893	-	-
Excess of revenues over (under) expenditures	-91,085	25,548	-	-1,893	75	1,360
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-30,394	-
Total other financing sources (uses)	-	-	-	-	-30,394	-
Net change in fund balance	-91,085	25,548	-	-1,893	-30,319	1,360
<b>Fund balance - July 1</b>	91,085	-24,982	-	-7,894	30,878	23,722
<b>Fund balance - June 30</b>	\$ -	\$ 566	\$ -	\$ -9,787	\$ 559	\$ 25,082

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	CL&P substation grant	Jared Hinckley scholar.	Kalmon Kurcinik scholar.	Mary Chase scholar.	Robert L. Hanover scholar.	Richard Woyasz scholar.
<b>Assets</b>						
Cash	\$ -	\$ 50,215	\$ 9,914	\$ 7,886	\$ 3,112	\$ 1,677
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	321	-	-	-	-	-
Total assets	321	50,215	9,914	7,886	3,112	1,677
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	321	50,215	9,914	7,886	3,112	1,677
Total fund balance	321	50,215	9,914	7,886	3,112	1,677
Total liabilities and fund balance	\$ 321	\$ 50,215	\$ 9,914	\$ 7,886	\$ 3,112	\$ 1,677
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	1,129	202	32	66	61
Charges for services	-	-	-	-	-	-
Miscellaneous	25,000	-	-	-	-	-
Total revenues	25,000	1,129	202	32	66	61
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	24,679	1,000	350	-	350	250
Total expenditures	24,679	1,000	350	-	350	250
Excess of revenues over (under) expenditures	321	129	-148	32	-284	-189
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	321	129	-148	32	-284	-189
<b>Fund balance - July 1</b>	-	50,086	10,062	7,854	3,396	1,866
<b>Fund balance - June 30</b>	\$ 321	\$ 50,215	\$ 9,914	\$ 7,886	\$ 3,112	\$ 1,677

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Flegert Ausburger scholar.	Nicholas Trahan scholar.	Lebanon school prizes	William T. Valvo scholar.	IDEA Part B section 619 \$10,378 7/07 - 6/09	IDEA Part B section 611 \$10,000 10/07 - 6/08
<b>Assets</b>						
Cash	\$ 2,389	\$ 10,053	\$ 1,143	\$ 224	\$ -3,898	\$ 8,133
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	4,276	-
Total assets	2,389	10,053	1,143	224	378	8,133
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	2,242
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	5,846
Total liabilities	-	-	-	-	-	8,088
<b>Fund balance</b>						
Reserved	-	-	-	-	-	45
Unreserved	2,389	10,053	1,143	224	378	-
Total fund balance	2,389	10,053	1,143	224	378	45
Total liabilities and fund balance	\$ 2,389	\$ 10,053	\$ 1,143	\$ 224	\$ 378	\$ 8,133
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 10,378	\$ 10,000
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	47	154	5	8	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	47	154	5	8	10,378	10,000
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	2,240
Program operating costs	-	-	-	-	10,000	7,715
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	500	-	26	-	-
Total expenditures	-	500	-	26	10,000	9,955
Excess of revenues over (under) expenditures	47	-346	5	-18	378	45
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	47	-346	5	-18	378	45
<b>Fund balance - July 1</b>	2,342	10,399	1,138	242	-	-
<b>Fund balance - June 30</b>	\$ 2,389	\$ 10,053	\$ 1,143	\$ 224	\$ 378	\$ 45

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	IDEA Part B section 611 \$246,884 7/05 - 6/07	IDEA Part B section 611 \$248,515 7/06 - 6/08	IDEA Part B section 611 \$252,677 7/07 - 6/09	Title I basic \$60,213 7/07 - 6/09	Title II A teachers \$31,037 7/06 - 6/08	Title II A teachers \$31,362 7/07 - 6/09
<b>Assets</b>						
Cash	\$ 5,164	\$ 11,884	\$ 146,008	\$ 52,791	\$ 1,347	\$ 4,885
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	5,164	11,884	146,008	52,791	1,347	4,885
<b>Liabilities</b>						
Accounts payable	-	5,465	438	-	-	90
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	6,419	145,500	52,191	-	3,882
Total liabilities	-	11,884	145,938	52,191	-	3,972
<b>Fund balance</b>						
Reserved	-	-	-	-	1,245	-
Unreserved	5,164	-	70	600	102	913
Total fund balance	5,164	-	70	600	1,347	913
Total liabilities and fund balance	\$ 5,164	\$ 11,884	\$ 146,008	\$ 52,791	\$ 1,347	\$ 4,885
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ 190,503	\$ 60,213	\$ -	\$ 31,362
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	190,503	60,213	-	31,362
<b>Expenditures</b>						
Salary and wages	-	636	145,500	52,191	-	3,882
Program operating costs	2,444	47,672	44,933	7,422	2,439	26,567
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	2,444	48,308	190,433	59,613	2,439	30,449
Excess of revenues over (under) expenditures	-2,444	-48,308	70	600	-2,439	913
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-2,444	-48,308	70	600	-2,439	913
<b>Fund balance - July 1</b>	7,608	48,308	-	-	3,786	-
<b>Fund balance - June 30</b>	\$ 5,164	\$ -	\$ 70	\$ 600	\$ 1,347	\$ 913

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Title II D technology \$550 7/06 - 6/08	Title II D technology \$364 7/07 - 6/09	Title IV drug free \$3,580 7/07 - 6/09	Title VI strategies \$2,251 7/06 - 6/08	Title VI strategies \$2,226 7/07 - 6/09	Computer assisted \$65,000 11/07 - 6/08
<b>Assets</b>						
Cash	\$ -	\$ 214	\$ 2,712	\$ -	\$ -	\$ 6,328
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	214	2,712	-	-	6,328
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	640
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	72	1,120
Total liabilities	-	-	-	-	72	1,760
<b>Fund balance</b>						
Reserved	-	-	-	-	-	4,568
Unreserved	-	214	2,712	-	-72	-
Total fund balance	-	214	2,712	-	-72	4,568
Total liabilities and fund balance	\$ -	\$ 214	\$ 2,712	\$ -	\$ -	\$ 6,328
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ 364	\$ 3,580	\$ -	\$ 2,226	\$ 65,000
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	364	3,580	-	2,226	65,000
<b>Expenditures</b>						
Salary and wages	-	-	-	-	72	1,120
Program operating costs	300	150	868	886	2,226	59,312
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	300	150	868	886	2,298	60,432
Excess of revenues over (under) expenditures	-300	\$ 214	2,712	-886	-72	4,568
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-300	\$ 214	2,712	-886	-72	4,568
<b>Fund balance - July 1</b>	300	-	-	886	-	-
<b>Fund balance - June 30</b>	\$ -	\$ 214	\$ 2,712	\$ -	\$ -72	\$ 4,568



**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	Perkins entitlement \$45,813 7/06 - 6/07	Perkins entitlement \$62,559 7/07 - 6/08	Adult education \$7,349 7/06 - 6/08	Adult education \$8,343 7/07 - 6/08	NECASA \$2,285 7/06 - 6/07	NECASA \$2,285 7/07 - 6/08
<b>Assets</b>						
Cash	\$ -13	\$ 11,816	\$ -	\$ -	\$ -	\$ 849
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-13	11,816	-	-	-	849
<b>Liabilities</b>						
Accounts payable	-	4,917	-	-	-	186
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	3,250	-	-	-	800
Total liabilities	-	8,167	-	-	-	986
<b>Fund balance</b>						
Reserved	-	2,284	-	-	-	-
Unreserved	-13	1,365	-	-	-	-137
Total fund balance	-13	3,649	-	-	-	-137
Total liabilities and fund balance	\$ -13	\$ 11,816	\$ -	\$ -	\$ -	\$ 849
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ 62,559	\$ -	\$ 8,843	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,285
Total revenues	-	62,559	-	8,843	-	2,285
<b>Expenditures</b>						
Salary and wages	-	3,250	-	-	-	800
Program operating costs	7,777	55,660	7,436	8,843	398	1,622
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	7,777	58,910	7,436	8,843	398	2,422
Excess of revenues over (under) expenditures	-7,777	3,649	-7,436	-	-398	-137
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-7,777	3,649	-7,436	-	-398	-137
<b>Fund balance - July 1</b>	7,764	-	7,436	-	398	-
<b>Fund balance - June 30</b>	\$ -13	\$ 3,649	\$ -	\$ -	\$ -	\$ -137

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2008

	NECASA \$2,000 7/07 - 6/08	Prior years school grants	LES school activities	LMS school activities	LHS school activities	Totals
<b>Assets</b>						
Cash	\$ 1,313	\$ -4,666	\$ 33,850	\$ 14,947	\$ 16,194	\$ 1,022,875
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	67,462
Other	-	-	-	-	-	364,435
Inventories	-	-	-	-	-	13,349
Due from other funds	-	6,000	-	-	-	630,467
Total assets	<u>1,313</u>	<u>1,334</u>	<u>33,850</u>	<u>14,947</u>	<u>16,194</u>	<u>2,098,588</u>
<b>Liabilities</b>						
Accounts payable	1,123	-	-	-	-	42,646
Deferred revenue	-	-	-	-	-	-
Due to other funds		1,066	-	-	-	357,214
Total liabilities	<u>1,123</u>	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,860</u>
<b>Fund balance</b>						
Reserved	-	-	-	-	-	368,219
Unreserved	190	268	33,850	14,947	16,194	1,330,509
Total fund balance	<u>190</u>	<u>268</u>	<u>33,850</u>	<u>14,947</u>	<u>16,194</u>	<u>1,698,728</u>
Total liabilities and fund balance	<u>\$ 1,313</u>	<u>\$ 1,334</u>	<u>\$ 33,850</u>	<u>\$ 14,947</u>	<u>\$ 16,194</u>	<u>\$ 2,098,588</u>
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,168
Intergovernmental - other	-	-	-	-	-	315,842
Interest and dividends	-	-	-	-	-	12,597
Charges for services	-	-	-	-	-	536,599
Miscellaneous	2,000	-	26,554	43,545	52,136	364,505
Total revenues	<u>2,000</u>	<u>-</u>	<u>26,554</u>	<u>43,545</u>	<u>52,136</u>	<u>2,264,711</u>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	717,701
Program operating costs	1,810	-	-	-	-	1,703,595
Capital outlay	-	-	-	-	-	45,084
Miscellaneous	-	18	27,060	34,951	69,274	368,883
Total expenditures	<u>1,810</u>	<u>18</u>	<u>27,060</u>	<u>34,951</u>	<u>69,274</u>	<u>2,835,263</u>
Excess of revenues over (under) expenditures	<u>190</u>	<u>-18</u>	<u>-506</u>	<u>8,594</u>	<u>-17,138</u>	<u>-570,552</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	522,278
Operating transfers out	-	-	-	-	-	-280,394
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,884</u>
Net change in fund balance	190	-18	-506	8,594	-17,138	-328,668
<b>Fund balance - July 1</b>	<u>-</u>	<u>286</u>	<u>34,356</u>	<u>6,353</u>	<u>33,332</u>	<u>2,027,396</u>
<b>Fund balance - June 30</b>	<u>\$ 190</u>	<u>\$ 268</u>	<u>\$ 33,850</u>	<u>\$ 14,947</u>	<u>\$ 16,194</u>	<u>\$ 1,698,728</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major capital project funds  
As of and for the year ended June 30, 2008

	Transfer station closure	Lake Williams project	Town bridge projects	Totals
<b>Assets</b>				
Cash	\$ -	\$ 16,985	\$ -	\$ 16,985
Accounts receivable (net)				
Property taxes	-	28,755	-	28,755
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	9,668	6,042	15,710
Total assets	-	55,408	6,042	61,450
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Deferred property tax revenue	-	28,755	-	28,755
Due to other funds	-	-	59,022	59,022
Total liabilities	-	28,755	59,022	87,777
<b>Fund balance</b>				
Reserved	-	-	-	-
Unreserved	-	26,653	-52,980	-26,327
Total fund balance	-	26,653	-52,980	-26,327
Total liabilities and fund balance	\$ -	\$ 55,408	\$ 6,042	\$ 61,450
<b>Revenues</b>				
Property tax revenue, interest, liens	\$ -	\$ 9,669	\$ -	\$ 9,669
Intergovernmental - other	-	-	33,731	33,731
Interest and dividends	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	9,669	33,731	43,400
<b>Expenditures</b>				
Capital outlay	-	-	13,693	13,693
Dept service principle	-	-	-	-
Debt service interest	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	-	-	13,693	13,693
Excess of revenues over (under) expenditures	-	9,669	20,038	29,707
Other financing sources (uses)				
Operating transfers in	22,848	-	-	22,848
Operating transfers out	-	-	-	-
Total other financing sources (uses)	22,848	-	-	22,848
Net change in fund balance	22,848	9,669	20,038	52,555
<b>Fund balance - July 1</b>	-22,848	16,984	-73,018	-78,882
<b>Fund balance - June 30</b>	\$ -	\$ 26,653	\$ -52,980	\$ -26,327

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2008

	Cummings scholarship	George Lyman scholarship	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
<b>Assets</b>						
Cash	\$ 204,340	\$ 44,408	\$ 10,966	\$ 10,517	\$ 8,698	\$ 7,280
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	204,340	44,408	10,966	10,517	8,698	7,280
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	7,295	1,703	425	517	338	280
Total liabilities	7,295	1,703	425	517	338	280
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	197,045	42,705	10,541	10,000	8,360	7,000
Total fund balance	197,045	42,705	10,541	10,000	8,360	7,000
Total liabilities and fund balance	\$ 204,340	\$ 44,408	\$ 10,966	\$ 10,517	\$ 8,698	\$ 7,280
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	6,937	1,508	372	357	293	247
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	6,937	1,508	372	357	293	247
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	6,937	1,508	372	357	293	247
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-6,937	-1,508	-372	-357	-293	-247
Total other financing sources (uses)	-6,937	-1,508	-372	-357	-293	-247
Net change in fund balance	-	-	-	-	-	-
<b>Fund balance - July 1</b>	197,045	42,705	10,541	10,000	8,360	7,000
<b>Fund balance - June 30</b>	\$ 197,045	\$ 42,705	\$ 10,541	\$ 10,000	\$ 8,360	\$ 7,000

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2008

	Town deposit scholarship	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant school	EL Reichard nursing scholarship
<b>Assets</b>						
Cash	\$ 6,566	\$ 6,721	\$ 6,355	\$ 5,858	\$ 4,507	\$ 3,155
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	6,566	6,721	6,355	5,858	4,507	3,155
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	4	321	305	-	222	155
Total liabilities	4	321	305	-	222	155
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	6,562	6,400	6,050	5,858	4,285	3,000
Total fund balance	6,562	6,400	6,050	5,858	4,285	3,000
Total liabilities and fund balance	\$ 6,566	\$ 6,721	\$ 6,355	\$ 5,858	\$ 4,507	\$ 3,155
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	35	228	216	115	153	107
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	35	228	216	115	153	107
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	35	228	216	115	153	107
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-35	-228	-216	-	-153	-107
Total other financing sources (uses)	-35	-228	-216	-	-153	-107
Net change in fund balance	-	-	-	115	-	-
<b>Fund balance - July 1</b>	6,562	6,400	6,050	5,743	4,285	3,000
<b>Fund balance - June 30</b>	\$ 6,562	\$ 6,400	\$ 6,050	\$ 5,858	\$ 4,285	\$ 3,000

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2008

	Flora Williams school	Local school	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
<b>Assets</b>						
Cash	\$ 2,101	\$ 1,937	\$ 1,000	\$ 1,034	\$ -	\$ 325,443
Investments	-	-	-	-	8,845	8,845
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	2,101	1,937	1,000	1,034	8,845	334,288
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	101	-	-	34	-	11,700
Total liabilities	101	-	-	34	-	11,700
<b>Fund balance</b>						
Reserved	-	-	-	-	-	-
Unreserved	2,000	1,937	1,000	1,000	8,845	322,588
Total fund balance	2,000	1,937	1,000	1,000	8,845	322,588
Total liabilities and fund balance	\$ 2,101	\$ 1,937	\$ 1,000	\$ 1,034	\$ 8,845	\$ 334,288
<b>Revenues</b>						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	71	6	-	29	-	10,674
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-540	-540
Total revenues	71	6	-	29	-540	10,134
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	71	6	-	29	-540	10,134
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-71	-6	-	-29	-	-10,559
Total other financing sources (uses)	-71	-6	-	-29	-	-10,559
Net change in fund balance	-	-	-	-	-540	-425
<b>Fund balance - July 1</b>	2,000	1,937	1,000	1,000	9,385	323,013
<b>Fund balance - June 30</b>	\$ 2,000	\$ 1,937	\$ 1,000	\$ 1,000	\$ 8,845	\$ 322,588

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Town construction projects  
As of and for the year ended June 30, 2008

	LES building project	LMS building project	Fire safety complex	Senior center complex	Totals
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable (net)					
Intergovernmental	-	-	-	88,181	88,181
Other	-	-	-	300,000	300,000
Due from other funds	-	-	11,641	802,155	813,796
Total assets	-	-	11,641	1,190,336	1,201,977
<b>Liabilities</b>					
Accounts payable	30,682	8,138	-	170,480	209,300
Deferred revenue	-	-	-	-	-
Due to other funds	686,939	318,258	-	221,551	1,226,748
Total liabilities	717,621	326,396	-	392,031	1,436,048
<b>Fund balance</b>					
Reserved	-	-	-	-	-
Unreserved	-717,621	-326,396	11,641	798,305	-234,071
Total fund balance	-717,621	-326,396	11,641	798,305	-234,071
Total liabilities and fund balance	\$ -	\$ -	\$ 11,641	\$ 1,190,336	\$ 1,201,977
<b>Revenues</b>					
Intergovernmental	\$ 351,348	\$ 290,334	\$ -	\$ 1,092,181	\$ 1,733,863
Interest and dividends	-	-	-	-	-
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	1,750	1,750
Total revenues	351,348	290,334	-	1,093,931	1,735,613
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	-
Capital outlay	52,104	41,505	67,064	1,135,585	1,296,258
Miscellaneous	-	-	-	-	-
Total expenditures	52,104	41,505	67,064	1,135,585	1,296,258
Excess of revenues over (under) expenditures	299,244	248,829	-67,064	-41,654	439,355
Other financing sources (uses)					
Operating transfers in	57,500	57,500	-	837,500	952,500
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	57,500	57,500	-	837,500	952,500
Net change in fund balance	356,744	306,329	-67,064	795,846	1,391,855
<b>Fund balance - July 1</b>	-1,074,365	-632,725	78,705	2,459	-1,625,926
<b>Fund balance - June 30</b>	\$ -717,621	\$ -326,396	\$ 11,641	\$ 798,305	\$ -234,071

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Investment trust funds  
As of and for the year ended June 30, 2008

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	783,310	539,598	391,084	1,713,992
Accounts receivable (net)				
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>783,310</u>	<u>539,598</u>	<u>391,084</u>	<u>1,713,992</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Reserved	-	-	-	-
Unreserved	783,310	539,598	391,084	1,713,992
Total fund balance	<u>783,310</u>	<u>539,598</u>	<u>391,084</u>	<u>1,713,992</u>
Total liabilities and fund balance	<u>\$ 783,310</u>	<u>\$ 539,598</u>	<u>\$ 391,084</u>	<u>\$ 1,713,992</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and dividends	23,362	19,384	16,667	59,413
Net change in investment fair value	-104,477	-45,814	-99,879	-250,170
Miscellaneous	-	-	-	-
Total revenues	<u>-81,115</u>	<u>-26,430</u>	<u>-83,212</u>	<u>-190,757</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital outlay	-	-	-	-
Miscellaneous	65	65	65	195
Total expenditures	<u>65</u>	<u>65</u>	<u>65</u>	<u>195</u>
Excess of revenues over (under) expenditures	<u>-81,180</u>	<u>-26,495</u>	<u>-83,277</u>	<u>-190,952</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-23,916	-19,911	-17,194	-61,021
Total other financing sources (uses)	<u>-23,916</u>	<u>-19,911</u>	<u>-17,194</u>	<u>-61,021</u>
Net change in fund balance	-105,096	-46,406	-100,471	-251,973
<b>Fund balance - July 1</b>	<u>888,406</u>	<u>586,004</u>	<u>491,555</u>	<u>1,965,965</u>
<b>Fund balance - June 30</b>	<u>\$ 783,310</u>	<u>\$ 539,598</u>	<u>\$ 391,084</u>	<u>\$ 1,713,992</u>



**Town of Lebanon, Connecticut**  
Schedule of debt limitation  
Connecticut General Statutes, Section 7-374 (b)  
For the year ended June 30, 2008

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 13,371,837
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	9,669
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>30,497</u>
Total base	<u><u>\$ 13,412,003</u></u>

<u>Debt limitation:</u>	<u>General purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban renewal</u>	<u>Pension deficit</u>
2 1/4 times base	\$ 30,177,007	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	60,354,014	-	-	-
3 3/4 times base	-	-	50,295,011	-	-
3 1/4 times base	-	-	-	43,589,010	-
3 times base	-	-	-	-	40,236,009
Total debt limitation	<u>30,177,007</u>	<u>60,354,014</u>	<u>50,295,011</u>	<u>43,589,010</u>	<u>40,236,009</u>

<u>Indebtedness:</u>					
Bonds payable	1,488,169	5,739,800	-	-	-
Bonds authorized and unissued	-	9,880,000	-	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	20,895	-	-	-
Accrued compensated absences:					
School employees	-	64,729	-	-	-
Town employees	51,580	-	-	-	-
Accrued post closure landfill costs	<u>134,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,674,580</u>	<u>15,705,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 28,502,427</u></u>	<u><u>\$ 40,748,520</u></u>	<u><u>\$ 50,295,011</u></u>	<u><u>\$ 43,589,010</u></u>	<u><u>\$ 40,236,009</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$93,884,021 which is well above the \$17,380,004 current amount of outstanding and authorized and unissued debt of the Town.

**Town of Lebanon, Connecticut**  
Schedule of property taxes levied,  
collections, and outstanding balances  
For the year ended June 30, 2008

Grand list	Uncollected taxes 06/30/07	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2006	\$ -	\$ 13,248,232	\$ 121,769	\$ -86,864	\$ 13,283,137
2005	300,132	-	582	-4,147	296,567
2004	77,447	-	-	-1,039	76,408
2003	28,550	-	-	-881	27,669
2002	17,539	-	-	-801	16,738
2001	13,325	-	-	-765	12,560
2000	8,011	-	-	-716	7,295
1999	5,694	-	-	-671	5,023
1998	3,260	-	-	-423	2,837
1997	1,117	-	-	-68	1,049
1996	987	-	-	-	987
1995	-	-	-	-	-
1994	-	-	-	-	-
1993	-	-	-	-	-
1992	-	-	-	-	-
	<u>\$ 456,062</u>	<u>\$ 13,248,232</u>	<u>\$ 122,351</u>	<u>\$ -96,375</u>	<u>\$ 13,730,270</u>

**Town of Lebanon, Connecticut**  
Schedule of property taxes levied,  
collections, and outstanding balances  
For the year ended June 30, 2008

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/08
	Taxes	Interest	Lien fees			
2006	\$ 12,929,024	\$ 68,455	\$ 15,458	\$ 13,012,937	\$ -	\$ 354,113
2005	201,075	39,959	3,504	244,538	-	95,492
2004	39,312	15,021	528	54,861	-17,492	19,604
2003	14,473	7,704	384	22,561	-	13,196
2002	8,387	7,224	264	15,875	-	8,351
2001	7,638	5,486	216	13,340	-	4,922
2000	2,569	2,144	168	4,881	-	4,726
1999	1,172	2,428	1,566	5,166	-	3,851
1998	1,035	2,133	96	3,264	-	1,802
1997	978	1,698	48	2,724	-	71
1996	912	1,361	37	2,310	-	75
1995	-	-	-	-	-	-
1994	-	-	-	-	-	-
1993	-	-	-	-	-	-
1992	-	-	-	-	-	-
	<u>\$ 13,206,575</u>	<u>\$ 153,613</u>	<u>\$ 22,269</u>	<u>\$ 13,382,457</u>	<u>\$ -17,492</u>	<u>\$ 506,203</u>

- A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Sub-Schedule C. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule C.

\$ 13,248,232	Current year taxes levied from page 56
153,613	Tax interest collections during the current fiscal year from above
3,604	Suspense interest collections during the current fiscal year
22,269	Tax lien fee collections during the current fiscal year from above
4,548	Suspense principle balance collections during the current fiscal year
-17,492	Account balances transferred to suspense during the current fiscal year from above
25,976	The net lawful corrections made during the current fiscal year from page 56
-68,913	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 13,371,837</u>	Property taxes, interest, and liens per Statement D, Statement E, and Sub-Schedule C

- B - Operation of Law - No tax can be collected 15 years after the original due date.

- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$4,548 was collected on principle suspense tax balances owed and \$3,604 of interest was collected on principle suspense tax balances owed. Certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$562 decrease. Four suspense tax years were affected by these corrections.

**Town of Lebanon, Connecticut**  
Schedule of expenditures of federal awards  
For the year ended June 30, 2008

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
<b>U.S. Department of Agriculture</b>			
Passed through State of Connecticut - Department of Education			
USDA commodities received	10.550	-	\$ 14,992
School breakfast program	10.553	12060-SDE64370-20508-2007 12060-SDE64370-20508-2008	3,118 6,886 <u>10,004</u>
School lunch program	10.555	12060-SDE64370-20560-2007 12060-SDE64370-20560-2008	18,341 42,108 <u>60,449</u>
School milk program	10.556	12060-SDE64370-20500-2007 12060-SDE64370-20500-2008	593 1,271 <u>1,864</u>
Fresh fruit & vegetable program	10.582	12060-SDE64370-22051-2006	<u>2,100</u>
Total U.S. Department of Agriculture			<u>89,409</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through State of Connecticut - Department of Economic and Community Development			
Small cities program -			
Housing rehabilitation loan program	14.228	12060-ECD46350-20730-2008	191,456
Senior center construction grant	14.228	12060-ECD46350-20730-2008	686,460 <u>877,916</u>
<b>U.S. Department of Education</b>			
Passed through State of Connecticut - Department of Education			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2008	<u>59,613</u>
Carl D. Perkins vocational & technology education act	84.048	12060-SDE64370-20742-2008 12060-SDE64370-20742-2007	58,910 7,777 <u>66,687</u>
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2008 12060-SDE64370-20977-2008 12060-SDE64370-20977-2007 12060-SDE64370-20977-2006	190,433 9,955 48,308 2,444 <u>251,140</u>
Idea Part B - Section 619 Pre-school grants	84.173	12060-SDE64370-20983-2008	<u>10,000</u>
Title IV - Safe and drug free schools	84.186	12060-SDE64370-20873-2008	<u>868</u>

**Town of Lebanon, Connecticut**  
Schedule of expenditures of federal awards (continued)  
For the year ended June 30, 2008

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
<b>U.S. Department of Education</b>			
Passed through State of Connecticut - Department of Education (continued)			
Title VI - Innovative education strategies	84.298	12060-SDE64370-20909-2008 12060-SDE64370-20909-2007	\$ 2,226 886 <u>3,112</u>
Title II Part D - Technology	84.318	12060-SDE64370-20826-2008 12060-SDE64370-20826-2007	150 300 <u>450</u>
Title II Part A - Teachers	84.367	12060-SDE64370-20858-2008 12060-SDE64370-20858-2007	30,449 2,439 <u>32,888</u>
Total U.S. Department of Education			<u>424,758</u>
<b>U.S. Department of Transportation</b>			
Passed through State of Connecticut - Department of Transportation			
Highway planning and construction	20.205	12062-DOT57151-22108-2008 12062-DOT57124-22108-2008 12062-DOT57191-22108-2008	22,010 10 4,975 <u>26,995</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,419,078</u></u>

**Town of Lebanon, Connecticut**  
Notes to Schedule of expenditures of federal awards  
June 30, 2008

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section §\_\_\_\_.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

The donated USDA commodities of \$16,025 shown for CFDA# are valued and recorded at fair value at the time of receipt. This is in accordance with OMB Circular A-133. A processing charge is assessed on those commodities and for the current year these charges equaled approximately \$1,033. Therefore, the net value or benefit of the commodities received by the School Lunch Program of the Town was \$14,992.

# Stephen T. Hopkins, CPA, PC

## Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 885 - 5215

Independent Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Selectmen  
Town of Lebanon, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated December 12, 2008. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal control over financial reporting

In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Lebanon, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Lebanon, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Lebanon, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings, questioned costs, and responses to be significant deficiencies in internal control over financial reporting. These significant deficiencies are identified as items 05-01F, 06-01F, 07-01F and 08-01F through 08-03F. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Lebanon, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01F, 07-01F and 08-02F to be material weaknesses.

### Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

December 12, 2008



# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 885 - 5215

Independent Auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

Board of Selectmen  
Town of Lebanon, Connecticut

### Compliance

We have audited the compliance of Town of Lebanon, Connecticut, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs, and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Lebanon, Connecticut's Management. Our responsibility is to express an opinion on Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

December 12, 2008

**Town of Lebanon, Connecticut**  
Schedule of findings, questioned costs, and responses  
June 30, 2008

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut as of and for the year ended June 30, 2008 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §\_\_\_\_.505(d)(1).

- (i) A qualified opinion was issued on the basic financial statements of the auditee as described in the Independent Auditors' Report found on page 1 and 2 of the basic financial statements.
- (ii) There were six reportable conditions in internal control disclosed by the audit of the basic financial statements of the auditee. These reportable conditions are referenced in the accompanying schedule of findings, questioned costs, and responses as item numbers 05-01F, 06-01F, 07-01F and 08-01F through 08-03F.
- (iii) The audit did not disclose any instances of noncompliance which we believe could be material to the basic financial statements of the auditee.
- (iv) There were no reportable conditions in internal control over compliance for major programs disclosed by the audit of the basic financial statements of the auditee.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) There were six audit findings disclosed by the audit of the basic financial statements of the auditee which are defined in §\_\_\_\_.510(a) which are required to be reported in accordance with §\_\_\_\_.505(d)(3).
- (vii) The following programs (cfda numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §\_\_\_\_.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The Town did not have any type A programs to chose from for testing purposes. Therefore, in order to meet the required percentage of coverage, the type B programs of the Town were assessed in regard to risk with the following type B programs being selected and tested as major.

Small cities program	CFDA # 14.228	<u>\$ 877,916</u>	Type A
----------------------	---------------	-------------------	--------

- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The auditee qualified as a high-risk auditee under §\_\_\_\_.530. In accordance with section §\_\_\_\_.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$1,419,078. The programs and expenditures noted above in item (vii) represent 61.86% of the total federal awards expended.

Findings Related to Financial Statements

There were six findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §\_\_\_\_.505(d)(2). These six findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings, questioned costs, and responses as item numbers 05-01F, 06-01F, 07-01F and 08-01F through 08-03F.

Findings, Questioned Costs, and Responses for Federal Awards

There were no findings and questioned costs for Federal Awards which shall include audit findings as defined in §\_\_\_\_.510(a) which are required to be reported in accordance with §\_\_\_\_.505(d)(3).

Summary Schedule of Prior Audit Findings

There were no findings, questioned costs, and responses related to federal award programs reported in the audit report for the Town of Lebanon, Connecticut for the year ended June 30, 2007. Therefore, no schedule has been included.

**Town of Lebanon, Connecticut**  
Schedule of findings, questioned costs, and responses (continued)  
June 30, 2008

05-01F Bank reconciliations - Lebanon Fire Department & Ambulance Services and the Student activity accounts

The bank reconciliations prepared by the Lebanon Fire Department & Ambulance Services do not consistently contain both the initials of reviewer and the date the review was made as well as the initials of the preparer and the date that the reconciliation was prepared. Bank reconciliations should be reviewed by an individual outside of the reconciliation, cash disbursement, and cash receipting process. The reconciliation and the review should also be completed in a timely manner as it relates to the end of the statement period. This type of policy or procedure is designed to safeguard the assets of an organization by having an individual separate of the accounting function review the cash activity of the organization for any items that appear to be out of the ordinary in amount and description. Bank reconciliations prepared for the student activity accounts of the elementary, middle, and high school do not consistently contain both the initials of reviewer and the date the review was made as well as the initials of the preparer and the date that the reconciliation was prepared. This type of policy is designed to safeguard the assets of the organization by showing who the individual is that is preparing the bank reconciliations and that there is an adequate separation of duties between the individuals responsible for preparing and reviewing said reconciliations.

Recommendation and management response

We recommend that these four groups develop a policy whereby all bank reconciliations are to be consistently signed and dated when prepared and when reviewed. In addition, the policy should state that this reconciliation should be prepared and properly documented within 30 days of the end of each monthly bank statement. All four groups are presently using accounting software which all contain a quick and easy to use reconciliation procedure. In the example of the three student activity checking accounts, a portion of the money contained within these accounts is designed to be in a custodian capacity and therefore a greater level of urgency should be placed on ensuring the safeguarding of these assets. I believe that the management of the Town and its component unit understand the importance of having proper internal controls and policies and procedures to ensure the safeguarded of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and consistently implemented to address this finding.

06-01F Accounting policies and procedures manual

The Town does not have an accurate and in-depth accounting policies and procedures manual at this time. This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll. The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded. We consider this item to be a material weakness.

Recommendation and management response

The Board of Finance should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Finance or other members of management of the Town. The final draft should be presented to the Board of Finance for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Finance for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Finance for approval. I believe that the management of the Town understands the importance of having proper internal controls and an accurate and in-depth accounting policies and procedures manual to help ensure the safeguarded of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and implemented to address this finding.

**Town of Lebanon, Connecticut**  
Schedule of findings, questioned costs, and responses (continued)  
June 30, 2008

07-01F Preparation of financial statements

The management of the Town is responsible for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Statements of Auditing Standards No. 112 states in effect that if an entity is unable to prepare its financial statements in accordance with these principles that this represents either a deficiency, significant deficiency, or material weakness. In addition, the management of the Town is responsible for being aware of the details of and application of all applicable generally accepted accounting principles. These principles affect how transactions are recorded, reported in the financial statements, and documented in the notes to the financial statements. During the current fiscal year a significant amount of assistance was provided to the Town in order to accurately prepare a set of financial statements in accordance with all applicable generally accepted accounting principles. We consider this item to be a material weakness.

Recommendation and management response

We recommend that the management of the Town become more familiar with the detail and application of all applicable generally accepted accounting principles. This process should then be applied to the upcoming fiscal year end financial statements during the preparation of these financial statements. Through conversations with members of management, they appear to understand the items and recommendations contained above and agree with the importance of a better set of policies and procedures to address these items.

08-01F Out of balance funds

The town currently uses an accounting software system which allows different activities to be segregated by funds. Each fund is designed to be a self balancing fund in which the assets equal the liabilities plus the beginning fund balance amount plus the current year profit or loss. The debits and credits charged to these funds in accounting transactions and journal entries should always be equal so that the fund will be in balance. During the current fiscal year, the town had eighteen (18) funds which had activity. During the start of the audit fieldwork it was determined that eleven (11) of these funds were out of balance. The system as a whole was in balance, however, a number of transactions which were completed between funds were not completed correctly thus causing individual funds to be out of balance. There does not appear to have been an adequate review process in place during the fiscal year that would find these errors and correct them in a timely manner. The necessary adjustments were completed as part of the audit. We do consider the lack of system reviews described in this finding to be a significant deficiency.

Recommendation and management response

We recommend that monthly or at least quarterly reviews be made of the balances of the funds within the accounting software system. The accounting software presently being used by the Town does allow for summary account or detailed activity reports by fund to be exported to excel. We recommend that this be done with all of the transactions that need to be moved being highlighted and listed showing the old posting account, the new posting account, and an explanation for the incorrect posting. This listing should be attached to the journal entry that is created and entered into the accounting software to correct any mis-postings that may be found.

In addition to these out of balance funds, a large number and amount of transactions were posted at the end of the fiscal year as either accounts payable or accounts receivable of the general fund when they were in fact either accounts payable or accounts receivable of other funds. Though the revenues and expenditures in these transactions were posted to the correct fund, a due to due from transaction and balance was created. A due to due from transaction is created when one fund either expends or receives funds or another fund. We recommend that closer attention be placed on the correct and more accurate recording of accounts payable and accounts receivable into the correct funds.

**Town of Lebanon, Connecticut**  
Schedule of findings, questioned costs, and responses (continued)  
June 30, 2008

08-02F Account reconciliations

The Town does not appear to have performed any bank reconciliations of its general checking account during the fiscal year. It does appear that reconciliations of the bank statements were prepared after the end of the fiscal year which would not be classified as being prepared in a timely manner. In addition, these bank reconciliations that were prepared after the end of the fiscal year did not contain the initials of the preparer or reviewer or any date that the reconciliation was prepared or reviewed. The balances and transactions of this general checking account are material to the Town and the lack of any bank reconciliations being prepared during the fiscal year demonstrates a lack of the safeguarding of assets. Any material transactions that had been done in error during the fiscal year most likely would not have been found without reconciliations being prepared. We do consider this to be a material weakness.

In addition, there is no system in place at this time to reconcile the other asset and liability accounts of the Town. As a result, a majority of these accounts went unreconciled during the fiscal year and in many instances required a great deal of research and adjusting journal entries to correct the current year activity and in turn the ending recorded balances. Once again it does appear that reconciliations were attempted on some accounts during the fiscal year and after the end of the fiscal year which would not be classified as being prepared in a timely manner. Due to this fact it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. We do consider this to be a material weakness.

Expenditures related to the Board of Education are recorded by specific line item by the Board of Education and as a lump sum amount by the Town after each expenditure check run. These entries are made on two different accounting systems. The finance office of the Town and the Board of Education did not reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. In addition, the lack of a set reconciliation process does not allow for any material differences to be detected in a timely manner. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Board of Education's Form ED001 so that the reported expenditures equal those recorded on the books of the Town. During the current audit, the necessary adjustments were completed in order to match the expenditures and liability accounts of the Town and the Board of Education. We recommend that the finance office of the Town and the Board of Education develop a reconciliation process either monthly or quarterly to ensure at the end of the fiscal year that both recorded balances equal. We do consider this to be a material weakness.

Similarly, individual tax receipts are recorded by the tax collector and remitted to the finance office of the Town in a lump sum. Once again these entries are made on two different accounting systems. The finance office of the Town and the tax collector did not successfully reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Town's recorded amounts so they will equal those recorded on the books of the tax collector. During the current audit, the necessary adjustments were completed in order to match the receivable and revenue balances of the Town and the Tax collector. We recommend that the finance office of the Town and the tax collector develop a reconciliation process either monthly or quarterly to ensure equal end of year balances. We do consider this to be a material weakness.

Recommendation and management response

We recommend that the Town develop a set of adequate internal controls to ensure that material asset, liability, revenue, and expense/expenditure accounts are reconciled on at least a quarterly basis if not a monthly basis. We also recommend that the Town Accountant, members of the Board of Education, and the Tax Collector meet on an individual basis and discuss the need for this account reconciliation process to be in place. Individual departments are pieces of the reporting entity as a whole and therefore need to have the same or similar focus on the results of the operations of the Town as a whole and understand the need for having a reasonable assurance present that the Town's specific objectives are being achieved and that its' assets are being safeguarded. Through conversations with members of the management of the Town, they appear to understand the need for this type of reasonable assurance and plan to develop and implement an internal control policy and set of procedures to address the items outlined above.

**Town of Lebanon, Connecticut**  
Schedule of findings, questioned costs, and responses (continued)  
June 30, 2008

08-03F Revenue and expense account reviews

Revenue and expense account reviews do not appear to have been completed during the current fiscal year to determine whether or not transactions were being charged to the correct accounts. This type of review is important to assist in determining how much of a certain budgeted revenue account has been received to date or how much of a certain budgeted expense account has been spent as compared to the approved budgeted amount. Transactions found to be charged incorrectly would simply be adjusted to the correct account while keeping a detail of what makes up each adjustment and why each adjustment was necessary. Without this review process the chances increase that an individual expense line item will be overspent or that budgeted line item expenses that need to be paid will go without being paid. We do consider the lack of revenue and expense account reviews described in this finding to be a significant deficiency.

Recommendation and managements response

We recommend that monthly or at least quarterly reviews be made of the transactions being charged to revenue and expense accounts to ensure that the transactions are being posted correctly. The accounting software presently being used by the Town does allow for detailed activity reports to be exported to excel. We recommend that this be done with all of the transactions that need to be moved being highlighted and listed showing the old posting account, the new posting account, and an explanation for the incorrect posting. This listing should be attached to the journal entry that is created and entered into the accounting software to correct any mis-postings that may be found.

# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 885 - 5215

Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the State Single Audit Act and on the schedule of expenditures of state financial assistance

Board of Selectmen  
Town of Lebanon, Connecticut

### Compliance

We have audited the compliance of the Town of Lebanon, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2008. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of Lebanon, Connecticut's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.



## Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated December 12, 2008. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

December 12, 2008

**Town of Lebanon, Connecticut**  
Schedule of expenditures of state financial assistance  
For the year ended June 30, 2008

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Disabled program	11000-OPM20600-17011-2008	804
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2008	30,497
Property tax relief for veterans	11000-OPM20600-17024-2008	3,737
Property tax relief for manufacturing machinery and equipment and commercial vehicles	11000-OPM20600-17031-2008	46,488
Local capital improvement	12050-OPM20600-40254-2008	427,179
<b><u>Department of Education:</u></b>		
Healthy food certification	11000-SDE64370-16072-2008	11,355
Child nutrition program	11000-SDE64370-16072-2008	5,149
Vocational Agriculture	11000-SDE64370-17017-2008	125,194
Adult education	11000-SDE64370-17030-2008	8,843
Computer assisted writing	11000-SDE64370-12332-2008	65,000
<b><u>Connecticut State Library:</u></b>		
Library services and technology act	12060-CSL66055-21031-2008	21,137
State Grants to Public Libraries	11000-CSL66051-17003-2008	1,484
Connecticard Payments	11000-CSL66051-17010-2008	597
<b><u>Department of Transportation:</u></b>		
Town aid road grants - transportation fund	12001-DOT57131-17036-2008	152,788
Local bridge program - transportation programs	12062-DOT57151-22108-2008	5,502
Local bridge program - transportation programs	12062-DOT57124-22108-2008	3
Local bridge program - transportation programs	12062-DOT57191-22108-2008	1,244
<b><u>Board of Education Services for the Blind:</u></b>		
Education of handicapped blind children	11000-ESB65020-12060-2008	5,756
<b><u>Office of State Comptroller:</u></b>		
Boat grant	12027-OSC15910-40211-2008	2,507
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004-2008	39,420
Mashantucket Pequot Grant	12009-OSC15910-17005-2008	62,035
<b><u>Department of Environmental Protection:</u></b>		
National heritage trust program	17021-DEP44420-42414-2008	79

**Town of Lebanon, Connecticut**  
Schedule of expenditures of state financial assistance (continued)  
For the year ended June 30, 2008

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<b>Department of Agriculture:</b>		
Agriculture viability grant	12060-DAG42710-90456-2006	\$ 46,582
<b><u>Department of Social Services:</u></b>		
Small town economic assistance program	12052-DSS60783-40533-2008	300,000
Other expenses	11000-DSS60439-10020-2008	30
<b><u>Judicial Branch:</u></b>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2008	4,760
<b><u>Other Departments:</u></b>		
Other expenses	11000-SOS12500-10020-2008	4,380
Help America vote	12060-SOS12500-21465-2008	437
Emergency management performance grant	12060-EHS99660-21881-2008	375
Stipulation and reimbursement	12060-OTT14710-35111-2008	10
Other expenses	11000-DRS60783-40533-2008	32
Total State Financial Assistance before exempt programs		<u>\$ 1,373,404</u>

Exempt Programs

<b><u>State Department of Education:</u></b>		
School construction progress payments		
LES and LMS school projects	13010-SDE64370-40901-2008	\$ 1,015,730
Principal	13010-SDE64370-40901-2008	136,516
Principal	13010-SDE64370-40901-2007	274,754
Interest	13009-SDE64370-40896-2008	63,460
Interest	13009-SDE64370-40896-2007	5,352
Transportation for school children - Public	11000-SDE64370-17027-2008	235,621
Education equalization	11000-SDE64370-17041-2008	5,222,144
Special Education - EXCS	11000-SDE64370-17047-2008	384,578
Special Education - API	11000-SDE64370-17047-2008	64,585
Total Exempt Programs		<u>7,402,740</u>
Total Expenditures of State Financial Assistance		<u>\$ 8,776,144</u>

**Town of Lebanon, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2008

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs  
For the year ended June 30, 2008

I. Summary of Audit Results

**Financial Statements**

Type of auditor's report issued: qualified

Internal control over financial reporting:

- |  |               |     |               |               |
|--|---------------|-----|---------------|---------------|
| • Material weakness (es) identified?   | <u>X</u>      | yes | <u>      </u> | no            |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>X</u>      | yes | <u>      </u> | none reported |
| • Noncompliance material to the financial statements noted?                                  | <u>      </u> | yes | <u>X</u>      | no            |

**State Financial Assistance**

Type of auditors' report issued on compliance for major programs unqualified

Internal control over major programs:

- |   |               |     |          |               |
|---|---------------|-----|----------|---------------|
| • Material weakness (es) identified?  | <u>      </u> | yes | <u>X</u> | no            |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses?  | <u>      </u> | yes | <u>X</u> | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | <u>      </u> | yes | <u>X</u> | no            |

**Major State Programs and percentage of coverage**

- The following schedule reflects the major programs included in the audit. Sec. 4-230 (12) defines a major state program as any program, excluding an exempt program, for which total expenditures of state financial assistance by a non state entity during the applicable year exceed the larger of (A) \$100,000 or (B) one percent of the total amount of state financial assistance expended, excluding expenditures of an exempt program by the non state entity during the audited year. Sec. 4-233(c)(2) limits the testing of additional state programs to achieve the 50% coverage provision in Sec. 4-233(c)(1) of the Act to up to two non exempt programs with state financial assistance expenditures of \$25,000 to \$100,000. Total non exempt state financial assistance expended by the Town were \$1,373,404. The programs tested as major and shown below represent 73.19% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Local capital improvement	12050-OPM20600-40254-2008	\$ 427,179
Vocational Agriculture	11000-SDE64370-17017-2008	125,194
Town aid road grants - transportation fund	12001-DOT57131-17036-2008	152,788
Small town economic assistance program	12052-DSS60783-40533-2008	300,000
		<u>\$ 1,005,161</u>

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
For the year ended June 30, 2008

**II. Financial Statement Findings**

- We issued reports, dated December 12, 2008, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable any instances of noncompliance.
- Our report on internal control over financial reporting indicated six significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings, questioned costs, and responses of the federal compliance section of these financial statements referenced to as item numbers 05-01F, 06-01F, 07-01F and 08-01F through 08-03F starting on page 66. We consider item numbers 06-01F, 07-01F and 08-02F to be material weaknesses.

**III. State Financial Assistance Findings and Questioned Costs**

- No findings or questioned costs are reported relating to State financial assistance programs.